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Application Proof of



Cainiao Smart Logistics Network Limited

菜鳥智慧物流網絡有限公司

(the “Company”)

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

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Cainiao Smart Logistics Network Limited

菜鳥智慧物流網絡有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

- Number of [REDACTED] under the [REDACTED] Shares (subject to the [REDACTED])
- Number of [REDACTED] : [REDACTED] Shares (subject to adjustment)
- Number of [REDACTED] : [REDACTED] Shares (subject to adjustment and the [REDACTED])
- Maximum [REDACTED] : HK\$[REDACTED] per [REDACTED], plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on [REDACTED] in Hong Kong dollars and subject to refund)
- Nominal value : US\$0.000001 per Share
- [REDACTED] : [REDACTED]

*Joint Sponsors, [REDACTED]
(in alphabetical order)*



CITIC SECURITIES J.P.Morgan

Financial Adviser to our Company



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The [REDACTED] is expected to be determined by agreement between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and our Company on or about [REDACTED], [REDACTED], [REDACTED] and, in any event, not later than [REDACTED], [REDACTED], [REDACTED]. The [REDACTED] will be not more than HK\$[REDACTED] per [REDACTED] and is currently expected to be not less than HK\$[REDACTED] per [REDACTED]. If, for any reason, the [REDACTED] is not agreed by [REDACTED], [REDACTED], [REDACTED] (Hong Kong time) among the [REDACTED] (for themselves and on behalf of the [REDACTED]) and our Company, the [REDACTED] will not proceed and will lapse.

The [REDACTED] may, with our consent, reduce the number of [REDACTED] being [REDACTED] under the [REDACTED] and/or the indicative [REDACTED] below that stated in this document at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, an announcement will be published on the website of our Company at www.cainiao.com and on the website of the Stock Exchange at www.hkexnews.hk not later than the morning of the day which is the last day for lodging applications under the [REDACTED].

Prior to making an [REDACTED] decision, prospective [REDACTED] should consider carefully all of the information set out in this document, including the risk factors set out in the section headed "Risk Factors" in this document. The obligations of the [REDACTED] under the [REDACTED] to subscribe for, and to procure subscribers for, the [REDACTED], are subject to termination by the [REDACTED] if certain events shall occur prior to 8:00 a.m. on [REDACTED], [REDACTED], [REDACTED]. Such grounds are set out in the section headed "[REDACTED] — Grounds for Termination" in this document. It is important that you refer to that section for further details.

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ATTENTION

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

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

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

CONTENTS

IMPORTANT NOTICE TO [REDACTED]

This document is issued by us solely in connection with the [REDACTED] and the [REDACTED] and does not constitute an [REDACTED] to sell or a solicitation of an [REDACTED] to buy any security other than the [REDACTED] by this document pursuant to the [REDACTED]. This document may not be used for the purpose of, and does not constitute, an [REDACTED] or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a [REDACTED] of the [REDACTED] in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document and the [REDACTED] of the [REDACTED] in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this document. You should read the whole document before you decide to [REDACTED] in the [REDACTED]. There are risks associated with any [REDACTED]. Some of the particular risks in [REDACTED] in the [REDACTED] are set forth in “Risk Factors.” You should read that section carefully before you decide to [REDACTED] in the [REDACTED].

OUR MISSION

Our mission is to make it easy to do business anywhere.

OUR VISION

Our vision is to transform the logistics industry and enable a seamless e-commerce experience anywhere in the world, achieving delivery within 24 hours in China and 72 hours worldwide.

WHO WE ARE

Cainiao is a global leader in e-commerce logistics. We are the largest provider of cross-border e-commerce logistics services globally and a leader in China logistics services, according to CIC, an independent industry consultant engaged by us. Drawing on our deep e-commerce insights and technological capabilities, we have established a smart logistics network, with end-to-end logistics capabilities, on a global scale. Our innovative solutions redefine industry standards and unlock new market opportunities for our customers and partners in e-commerce and beyond, throughout China and across the world.

Disruptive International Logistics Solutions



No.1 Globally⁽¹⁾

1.5+ billion cross-border e-commerce parcels delivered in fiscal year 2023



No.1 Globally⁽²⁾

~3.0 million square meters GFA of warehouses for cross-border e-commerce as of June 30, 2023

Industry-leading China Logistics Solutions



Top 3⁽³⁾

premium e-commerce logistics company



No.1 Globally⁽⁴⁾

digital network with 170,000+ “pick-up, drop-off” stations as of June 30, 2023

Innovative Technologies & Capabilities



No.1 Globally⁽⁵⁾

60+ million average MAUs of Cainiao App in fiscal year 2023



~20%

of employees dedicated to technology and product development as of June 30, 2023

Notes:

- (1) In terms of parcel volume in 2022.
- (2) In terms of gross floor area of warehouses for cross-border e-commerce as of June 30, 2023.
- (3) In terms of revenue in 2022.
- (4) In terms of both the number of “pick-up, drop-off” stations as of December 31, 2022 and the number of parcels processed in 2022.
- (5) In terms of average MAUs among logistics apps in 2022.

SUMMARY

Our Origins

Cainiao was founded by Alibaba Group and other partners in 2013 to address the growing, evolving requirements for logistics services of the buyers and sellers on Alibaba Group’s e-commerce platforms. We emerged as an open technology platform incubated within the world’s largest e-commerce ecosystem. This heritage instilled in us a distinctive “e-commerce × technology” DNA.

E-commerce DNA. We were founded to support the growth and expansion of Alibaba Group’s e-commerce platforms by providing logistics capabilities that other members of the ecosystem could not develop on their own. Immersed in the world’s largest, most complex Alibaba ecosystem, we have gained a deep understanding of e-commerce. We access the world’s largest pool of merchants who continue to expand their businesses in China, and increasingly across the world. This e-commerce DNA serves as the driver of our growth. We believe e-commerce and, in particular, cross-border e-commerce from China and globally, represents an exciting growth opportunity.

Technology DNA. In the early years, our focus was to digitalize the logistics value chain for Alibaba Group’s e-commerce platforms and to provide innovative technology, tools, insights and standards for its ecosystem participants. In 2014, we were the first in China to successfully introduce a standardized e-waybill system open to all express delivery companies and merchants, which increased the logistics industry’s parcel digitalization rate from less than 5% to more than 80% within three years, according to CIC. Our technology DNA is ingrained into every facet of our business, enabling innovations in our business model, network and services.

We continue to draw strength and inspiration from our “e-commerce × technology” DNA as we forge ahead on our journey to transform the global logistics industry.

From Technology Platform to Smart Logistics Network

Over the years, we evolved from a pure technology platform into a smart logistics network with end-to-end capabilities. We take a strategic approach to control the key nodes of the network, such as e-commerce logistics hubs (“**e-Hubs**”), warehouses, sorting centers and last-mile delivery operations, to ensure service quality, efficiency and reliability, while leveraging trusted partners’ capabilities to drive scalability and capital efficiency. This strategic approach, together with the integration of advanced technologies into the network operation, has allowed us to develop a purpose-built logistic network that facilitates seamless parcel flow for global e-commerce.

From China to Global

We are at the forefront of the evolution of global cross-border e-commerce. We both enable and benefit from the expansion of cross-border e-commerce. China is the largest export country with a significant import demand and, with an increasing level of digitalization, plays a central role in the growth of the global e-commerce industry. Leveraging our deep e-commerce insights, advanced technology and smart logistics network, we have established global end-to-end capabilities and pioneered disruptive international logistics solutions

SUMMARY

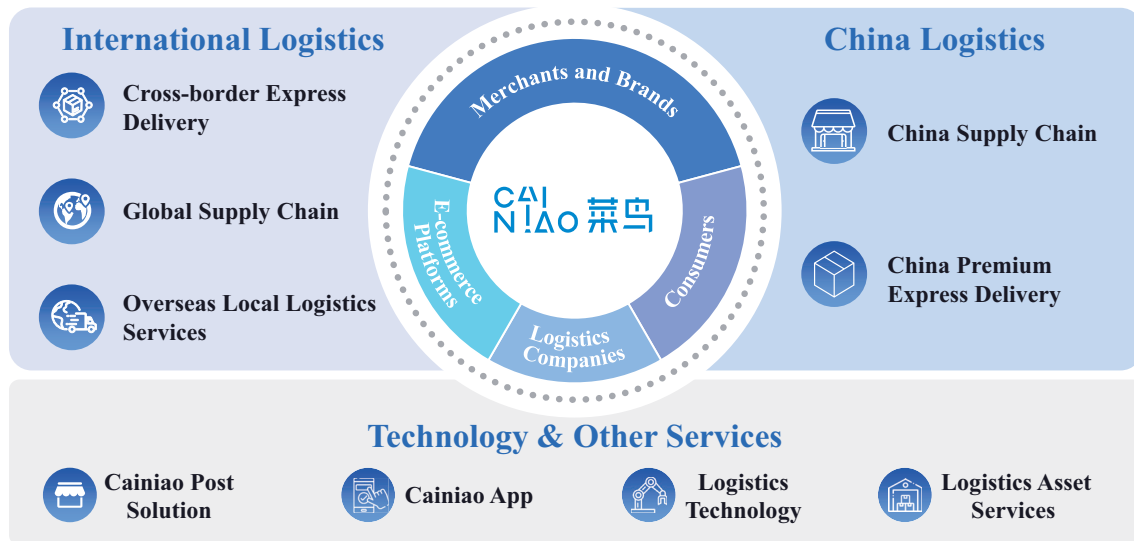
tailored to global e-commerce. Our innovations help unlock the potential of global e-commerce by empowering merchants and platforms that previously could only address domestic consumption to expand into serving consumers globally.

E-commerce and Beyond

While our journey started in e-commerce, we have gone beyond that realm. With the increasing convergence of online and offline shopping, we have leveraged our e-commerce fulfillment capabilities and developed omni-channel solutions to serve merchants and brands as they look to sell both online and offline in China and globally. Our capabilities also extend beyond transactions within the Alibaba ecosystem to encompass order fulfillment for transactions through various other digital and offline channels. As the priorities of our customers’ logistics demand expand beyond cost and speed, we are committed to staying ahead of these evolving demands and endeavor to provide eco-friendly logistics services for merchants and consumers engaged in all formats of commerce around the globe.

OUR INNOVATIVE SOLUTIONS

Leveraging our profound understanding of e-commerce, our smart global network and our technologies, we provide a wide array of innovative logistics solutions to primarily serve merchants and brands, e-commerce platforms and consumers in China and around the world.



International Logistics

We are the world’s No. 1 cross-border e-commerce logistics company in terms of parcel volume in 2022, with one of the world’s largest logistics networks in terms of geographic reach, according to CIC. In fiscal year 2023, our total cross-border parcel volume exceeded 1.5 billion, and we served over 100,000 merchants and brands. Leveraging our global end-to-end network and technology capabilities, we bring to market disruptive solutions that are purpose-built for e-commerce.

SUMMARY

We provide a comprehensive suite of cross-border express delivery solutions primarily for merchants, brands and e-commerce platforms selling goods from and into China. Our solutions include a range of premium, standard and economy options, designed to meet customers’ different needs for shipping time, cost, destination and any special handling requirements. We also provide one-stop global supply chain solutions that enable efficient global inventory deployment and order fulfillment and empower brands and merchants to offer a close-to-local retail experience for consumers. Our solutions for cross-border logistics cover a wide spectrum of products, ranging from best-sellers to long-tail items, which expand the categories of products available for cross-border e-commerce. We mainly serve merchants on various e-commerce platforms operated by Alibaba Group, including AliExpress, Tmall Global and Tmall Taobao World, as well as a variety of e-commerce platforms and online channels beyond the Alibaba ecosystem. We also support *Choice* by AliExpress and the direct sales businesses of certain e-commerce platforms. In addition, we provide local express delivery and supply chain services in Hong Kong and select international markets, such as Spain, France and Poland, creating the foundation for future “global-to-global” e-commerce logistics.

China Logistics

In China, where express delivery services are highly developed and standardized, we focus on leveraging our deep e-commerce insights and technology capabilities to create innovative solutions. We offer brands and merchants a suite of end-to-end standardized supply chain solutions that can be applied on a massive scale across various industries, as well as certain vertical solutions to address the unique requirements of products that need special handling. We support brands and merchants for their sales through various e-commerce platforms operated by Alibaba Group, such as Taobao and Tmall, as well as a wide array of other e-commerce platforms, digital and offline channels, and we also serve Tmall Supermarket, a direct sales channel operated by Alibaba Group. We provide a premium express delivery service, *Cainiao Express*, with superior service quality tailored for e-commerce at low costs. Our premium express delivery service offers fast, reliable and time-definite services with a doorstep delivery pledge to a large, underserved market.

Technology and Other Services

Leveraging our global logistics network and advanced technologies, we offer a wide array of technology and other services to remove logistics hurdles and address unfulfilled customer needs. Our technology and other services mainly include the following:

Cainiao Post solution (菜鳥驛站). Through *Cainiao Post*, we enable the first and largest digital “pick-up, drop-off” network in China and developed it into the largest of its kind in the world, according to CIC, both in terms of the number of “pick-up, drop-off” stations as of December 31, 2022 and the number of parcels processed in 2022. *Cainiao Post* processed more than 80 million parcels per day on average in the three months ended June 30, 2023, and connected over 170,000 “pick-up, drop-off” stations as of June 30, 2023.

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Cainiao App. We developed and operate the Cainiao App, the most widely used logistics app in the world in terms of the number of average MAUs in 2022, according to CIC, which enables a seamless digital experience for parcel deliveries and returns for consumers. Our Cainiao App allows consumers to check the real-time status of parcels transported by express delivery companies, initiate return order and doorstep pick-up requests, and conveniently retrieve and send parcels from any “pick-up, drop-off” station enabled by *Cainiao Post*.

Logistics technology. We offer a suite of practical and cost-effective logistics technology solutions, encompassing automation, digital supply chain and smart hardware solutions, in order to improve efficiency and cost-effectiveness across the logistics value chain.

Logistics asset services. We develop logistics facilities primarily for our own use and lease unused portions to brands and merchants to improve our asset utilization and deepen customer relationships. We also provide full-chain asset management solutions for logistics facilities.

OUR SMART LOGISTICS NETWORK

Our global end-to-end logistics network is purpose-built for global e-commerce and born out of our technology DNA. As of June 30, 2023, our global network spanned across over 200 countries and regions, encompassing two e-Hubs with an aggregate gross floor area of more than 150,000 square meters, over 1,100 warehouses with an aggregate gross floor area of approximately 16.5 million square meters and over 380 sorting centers. They were linked by approximately 170 chartered flights and BSAs per week on average between China and key overseas destinations in June 2023 and over 2,700 line-haul trucking routes globally as of June 30, 2023, and connected to a large last-mile network consisting of over 4,400 delivery stations and over 170,000 “pick-up, drop-off” stations as of June 30, 2023.

Our smart logistics network has the following distinct advantages:

E-commerce native. We have designed and built our smart logistics network to support the growth of e-commerce in China and globally. Our deep understanding of the e-commerce industry has enabled us to build a logistic network native to the global e-commerce industry to meet various needs of sellers and buyers.

Global reach and density. Through the critical nodes controlled by us and collaboration with our logistics partners, we have built one of the largest logistics networks in the world in terms of geographic reach, according to CIC, with significant density both in China and globally. Such scale and density enable us to effectively increase shipping speed, reduce costs and support our customers’ global logistics requirements.

Control with capital efficiency. We endeavor to control all critical nodes in our network while optimizing capital utilization. Our control over the critical nodes across our network gives us a structural advantage in delivering superior cost, speed and service reliability. We utilize various financing arrangements to improve our capital utilization and secure external funding for our continued network expansion.

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OUR TECHNOLOGY CAPABILITIES

Technology is key to our success in driving efficiency, enhancing customer experiences and fostering innovation. Our technology capabilities adeptly combine AI, smart hardware and software applications to support digitalization, intelligence and empowerment throughout the logistics chain.

Artificial intelligence. Trained on the vast amount of information passed through our fully digitalized, integrated logistics value chain, our AI engines help reduce costs and optimize operations, such as by increasing sorting accuracy, improving inventory management and optimizing route planning and vehicle dispatching.

Smart hardware. Our operational infrastructure integrates a wide array of proprietary smart hardware technologies, including RFID and smart IoT devices, to help us digitalize the end-to-end logistics chain at low cost. We also develop and deploy leading automation and autonomous technologies, including AGVs and *Xiaomanlv* (小蠻驢), our electric unmanned delivery vehicle.

Software applications. We develop software applications, including a supply chain suite, an operations suite and other mobile applications, to enable innovative capabilities in our network and for our customers. Designed to be version-less and cloud-native, our applications allow for agile iterations that facilitate continuous improvement and ensure adaptability to evolving business needs.

OUR STRENGTHS

We believe the following strengths position us to capitalize on opportunities in the global e-commerce logistics industry and are differentiating factors from our peers:

- Leading e-commerce logistics services provider;
- Continuous innovation enabled by global end-to-end network and leading technologies;
- Synergistic relationship with Alibaba and deep relationships with customers;
- Commitment to ESG; and
- Strong culture, visionary management and motivated employees.

OUR STRATEGIES

We will continue to innovate, improve operating efficiency and expand our network to support global e-commerce. Our strategies focus on the following:

- Grow our international business;
- Grow our China business;

SUMMARY

- Extend our technology leadership;
- Increase our cost efficiency; and
- Explore strategic partnerships, investments and acquisitions.

OUR CUSTOMERS AND SUPPLIERS

Our customers primarily include merchants and brands, e-commerce platforms, consumers, as well as logistics companies in China and around the world. In fiscal years 2021, 2022 and 2023 and three months ended June 30, 2023, revenue from our top five customers accounted for 34.4%, 34.8%, 32.3% and 34.4% of our total revenue for the respective periods, and revenue from our largest customer, Alibaba Group, accounted for 29.2%, 30.8%, 28.2% and 29.7% of our total revenue for the respective periods. See “Risk Factors — Risks Related to Our Industry and Business — We have a strategic and synergistic relationship with Alibaba Group. If we are unable to maintain such relationship with Alibaba Group or adapt to changes in the Alibaba ecosystem, or if the Alibaba ecosystem does not grow as expected, our business, financial condition, results of operations and prospects may be materially and adversely affected” and “Connected Transactions” for details of the agreements between us and Alibaba Group.

Our suppliers primarily include service providers for line-haul transportation and express delivery. Most of our major suppliers are based in China. In fiscal years 2021, 2022 and 2023 and three months ended June 30, 2023, purchases from our largest five suppliers in aggregate accounted for 30.2%, 28.1%, 23.9% and 19.1% of our total purchases for the respective periods, and purchases from our largest supplier accounted for 13.0%, 14.5%, 7.4% and 5.5% of our total purchases for the respective periods.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We are firmly committed to ESG and believe these principles enable us to create business and social values in a forward-looking, sustainable manner. We have undertaken a materiality assessment for and prioritized our ESG efforts around five focus areas, namely green logistics, customer experience, community service, emergency logistics and high-quality employment, which we believe have a high positive impact on the environment and society at large. Our ESG initiatives are deeply embedded in our operations and every part of the logistics value chain, from order generation, warehousing, packaging and delivery to recycling. We have also established clear greenhouse gas (“GHG”) emissions reduction targets, including (i) net-zero GHG emissions by 2050 and (ii) carbon neutrality in our own operations and reduction of Scope 3 carbon intensity by 50% by 2030 (from the base year of 2021). Furthermore, we are committed to fulfilling our social responsibility for customers, employees and society, such as by providing high-quality employment through the growth of our business and network. See “Our Business — Environmental, Social and Governance.”

SUMMARY

RISK FACTORS

Our business, operations and corporate structure and the [REDACTED] involve certain risks and uncertainties, which are set out in the section headed "Risk Factors." You should read that section in its entirety carefully before you decide to [REDACTED] in our Shares. Some of the major risks we face include:

- Our business and growth are significantly affected by the development of global e-commerce, as well as macroeconomic and other factors that affect demand for logistics services;
- We may face challenges in expanding our international logistics business and operations;
- We have a strategic and synergistic relationship with Alibaba Group. If we are unable to maintain such relationship with Alibaba Group or adapt to changes in the Alibaba ecosystem, or if the Alibaba ecosystem does not grow as expected, our business, financial condition, results of operations and prospects may be materially and adversely affected;
- If we are not able to continue to innovate in new logistics products, services and technologies, our business, financial condition and results of operations could be materially and adversely affected;
- We may not be able to expand and strengthen our global logistics network, including critical nodes, such as e-Hubs, warehouses and sorting centers, in a capital-efficient and cost-effective manner;
- We work with a variety of logistics partners, suppliers and other service providers in providing certain standard logistics products and services, such as air freight, and to support various aspects of our business operations. Failure to maintain positive relationships with them, or failure of our logistics partners, suppliers or other service providers in providing reliable or satisfactory products and services, could have a material adverse effect on our business, financial condition and results of operations;
- Failure to maintain or improve our technology infrastructure could harm our business and prospects;
- Any service disruptions experienced by our logistics facilities may adversely affect our operations;
- The success of our logistics business depends on our ability to attract a wide array of customers and maintain a high level of customer satisfaction and stickiness, and any failure to do so would materially and adversely affect our business, financial condition, results of operations and prospects;

SUMMARY

- If we are unable to compete effectively, our business, financial condition and results of operations would be materially and adversely affected;
- We may not be able to maintain our culture, which has been a key to our success;
- We recorded net losses in the past and we may not be able to maintain profitability in the future; and
- Changes in international trade or investment policies and barriers to trade or investment, and any ongoing geopolitical conflict, may have an adverse effect on our business and expansion plans, and could lead to restrictions or prohibitions on [REDACTED] in our securities.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Our consolidated financial statements have been prepared in accordance with IFRS. The following selected consolidated financial data for the periods and as of the dates indicated are qualified by reference to and should be read in conjunction with the Accountant's Report in Appendix I to this document and the section headed "Financial Information" in this document.

SUMMARY

Selected Consolidated Statement of Profit or Loss Data

The following table sets out our selected consolidated statement of profit or loss data for the periods indicated:

	Year Ended March 31,						Three Months Ended June 30,			
	2021		2022		2023		2022		2023	
	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	
	<i>RMB</i>	<i>revenue</i>	<i>RMB</i>	<i>revenue</i>	<i>RMB</i>	<i>revenue</i>	<i>RMB</i>	<i>revenue</i>	<i>RMB</i>	<i>revenue</i>
	<i>(Unaudited)</i>									
	<i>(in millions, except for percentages and per share data)</i>									
Revenue	52,733	100.0%	66,867	100.0%	77,800	100.0%	17,336	100.0%	23,164	100.0%
Cost of revenue	(47,189)	(89.5%)	(59,686)	(89.3%)	(69,653)	(89.5%)	(15,496)	(89.4%)	(19,979)	(86.3%)
Gross profit	5,544	10.5%	7,181	10.7%	8,147	10.5%	1,840	10.6%	3,185	13.7%
Sales and marketing expenses	(1,534)	(2.9%)	(1,759)	(2.7%)	(1,216)	(1.6%)	(242)	(1.4%)	(284)	(1.2%)
General and administrative expenses	(3,941)	(7.5%)	(6,095)	(9.1%)	(6,153)	(7.9%)	(1,313)	(7.6%)	(1,434)	(6.2%)
Product development expenses	(1,529)	(2.9%)	(2,282)	(3.4%)	(2,512)	(3.2%)	(560)	(3.2%)	(606)	(2.6%)
Reversal of/(provision for) impairment losses on financial assets	1	–	(182)	(0.3%)	(283)	(0.4%)	(114)	(0.6%)	(234)	(1.0%)
Other income	169	0.3%	529	0.8%	490	0.6%	58	0.3%	180	0.8%
Other gains/(losses) – net	37	0.1%	1,304	2.0%	(174)	(0.2%)	46	0.3%	(310)	(1.4%)
Operating (loss)/profit	(1,253)	(2.4%)	(1,304)	(2.0%)	(1,701)	(2.2%)	(285)	(1.6%)	497	2.1%
Finance income	509	1.0%	310	0.4%	437	0.5%	71	0.4%	172	0.8%
Finance costs	(1,140)	(2.2%)	(1,214)	(1.8%)	(1,258)	(1.6%)	(270)	(1.5%)	(323)	(1.4%)
Finance costs – net	(631)	(1.2%)	(904)	(1.4%)	(821)	(1.1%)	(199)	(1.1%)	(151)	(0.6%)
Share of (loss)/profit of associates and joint ventures accounted for using the equity method	(33)	(0.1%)	141	0.3%	229	0.3%	178	0.9%	(8)	–
Impairment losses on associates and joint ventures accounted for using the equity method	–	–	–	–	(229)	(0.3%)	–	–	–	–
(Loss)/profit before income tax	(1,917)	(3.7%)	(2,067)	(3.1%)	(2,522)	(3.3%)	(306)	(1.8%)	338	1.5%
Income tax expenses	(98)	(0.2%)	(219)	(0.3%)	(279)	(0.3%)	(64)	(0.3%)	(50)	(0.3%)
(Loss)/profit for the year/period	(2,015)	(3.9%)	(2,286)	(3.4%)	(2,801)	(3.6%)	(370)	(2.1%)	288	1.2%
(Loss)/profit attributable to:										
Owners of the Company	(1,688)	(3.2%)	(2,004)	(3.0%)	(2,325)	(3.0%)	(338)	(1.9%)	391	1.7%
Non-controlling interests	(327)	(0.7%)	(282)	(0.4%)	(476)	(0.6%)	(32)	(0.2%)	(103)	(0.5%)
Non-IFRS measures										
Adjusted net (loss)/profit for the year/period	(829)	(1.6%)	(1,030)	(1.5%)	279	0.4%	30	0.2%	1,093	4.7%
Adjusted EBITDA for the year/period	1,036	2.0%	1,155	1.7%	2,873	3.7%	634	3.7%	1,807	7.8%

For details, see “Financial Information — Results of Operations.”

SUMMARY

Non-IFRS Measures

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted net (loss)/profit and adjusted EBITDA as additional financial measures, which are not required by, or presented in accordance with, IFRSs. We believe such non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items which our management considers non-indicative of our operating performance, and they provide useful information to [REDACTED] and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management.

However, our presentation of such non-IFRS measures may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as substitutes for an analysis of, our results of operations or financial condition as reported under IFRS. Our presentation of such non-IFRS measures should not be construed as an implication that our future results of operations will be unaffected by unusual or non-recurring items.

Adjusted net (loss)/profit represents (loss)/profit for the year/period excluding the effects of (i) certain non-cash expenses, consisting of share-based payments, (ii) items which we do not believe are reflective of our core operating performance during the periods presented, including currency translation difference in connection with certain inter-company loans, losses or gains on fair value changes, disposals, or deemed disposals of investments and other assets, non-cash portion of return for investor's investment in consolidated limited partnerships, impairment losses on associates and joint ventures accounted for using the equity method, and amortization of intangible assets resulting from acquisitions, and (iii) items that are typically one-off and non-recurring in nature, including [REDACTED].

Adjusted EBITDA represents profit/(loss) for the year/period excluding the effects of (i) certain non-cash expenses, consisting of share-based payments, (ii) items which we do not believe are reflective of our core operating performance during the periods presented, including currency translation difference in connection with certain inter-company loans, losses or gains on fair value changes, disposals, or deemed disposals of investments and other assets, and impairment losses on associates and joint ventures accounted for using the equity method, (iii) items that are typically one-off and non-recurring in nature, including [REDACTED], and (iv) finance costs, finance income, depreciation of and impairment losses on property, plant and equipment, investment properties and other right-of-use assets, amortization of and impairment losses on right-of-use assets (land use rights), amortization of intangible assets, and income tax expenses.

SUMMARY

The following tables set forth the reconciliations of our non-IFRS financial measures for the periods indicated to the nearest measure prepared in accordance with IFRS:

	Year Ended March 31,			Three Months Ended June 30,	
	2021	2022	2023	2022	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(Unaudited)</i>				
	<i>(in millions, except for percentages)</i>				
(Loss)/profit for the year/period	(2,015)	(2,286)	(2,801)	(370)	288
Add:					
Share-based payments	849	2,002	2,146	322	323
Currency translation difference in connection with certain inter-company loans	(369)	(159)	515	153	59
Losses/(gains) on fair value changes, disposals, or deemed disposals of investments and other assets	237	(1,165)	(351)	(200)	301
Non-cash portion of return for investor’s investment in consolidated limited partnerships	414	435	456	98	103
Impairment losses on associates and joint ventures accounted for using the equity method.	–	–	229	–	–
Amortization of intangible assets resulting from acquisitions	74	72	72	18	18
[REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Tax effects of non-IFRS adjustments	(19)	71	13	9	(11)
Adjusted net (loss)/profit for the year/period. . .	(829)	(1,030)	279	30	1,093
Adjusted net (loss)/profit margin.	(1.6%)	(1.5%)	0.4%	0.2%	4.7%

	Year Ended March 31,			Three Months Ended June 30,	
	2021	2022	2023	2022	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(Unaudited)</i>				
	<i>(in millions, except for percentages)</i>				
(Loss)/profit for the year/period	(2,015)	(2,286)	(2,801)	(370)	288
Add:					
Finance costs	1,140	1,214	1,258	270	323
Finance income	(509)	(310)	(437)	(71)	(172)
Share-based payments	849	2,002	2,146	322	323
Currency translation difference in connection with certain inter-company loans	(369)	(159)	515	153	59
Losses/(gains) on fair value changes, disposals, or deemed disposals of investments and other assets	237	(1,165)	(351)	(200)	301
Impairment losses on associates and joint ventures accounted for using the equity method.	–	–	229	–	–
Depreciation of and impairment losses on property, plant and equipment, investment properties and other right-of-use assets.	1,443	1,476	1,855	419	581
Amortization of and impairment losses on right-of-use assets (land use rights)	78	83	100	27	23
Amortization of intangible assets	84	81	80	20	19
[REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Income tax expenses	98	219	279	64	50
Adjusted EBITDA for the year/period	1,036	1,155	2,873	634	1,807
Adjusted EBITDA margin	2.0%	1.7%	3.7%	3.7%	7.8%

SUMMARY

Selected Consolidated Balance Sheet Data

The table below sets forth our selected consolidated balance sheet data as of the dates indicated:

	As of March 31,			As of
	2021	2022	2023	June 30,
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	2023
				<i>RMB</i>
				<i>(in millions)</i>
Total non-current assets	29,498	41,378	45,842	47,622
Total current assets	26,255	17,503	26,009	30,214
Total assets.	55,753	58,881	71,851	77,836
Total non-current liabilities	13,930	15,525	23,002	24,672
Total current liabilities	18,398	21,486	22,400	25,232
Total liabilities	32,328	37,011	45,402	49,904
Equity attributable to owners of the				
Company	22,586	21,353	25,079	26,648
Non-controlling interests	839	517	1,370	1,284
Total equity	23,425	21,870	26,449	27,932

Selected Consolidated Statement of Cash Flows Data

The following table sets out our selected consolidated cash flow data for the periods indicated:

	Year Ended March 31,			Three Months	
	2021	2022	2023	Ended June 30,	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
					<i>(Unaudited)</i>
					<i>(in millions)</i>
Net cash flows generated from/					
(used in) operating activities	4,934	2,330	1,859	(660)	1,071
Net cash flows (used in)/generated from					
investing activities	(13,098)	(2,777)	(11,296)	(1,284)	2,107
Net cash flows (used in)/generated from					
financing activities	(861)	(696)	7,625	2,374	3,375
Net (decrease)/increase in cash					
and cash equivalents	(9,025)	(1,143)	(1,812)	430	6,553
Cash and cash equivalents at the beginning					
of the year/period	22,319	11,819	10,198	10,198	8,784
Effects of exchange rate changes					
on cash and cash equivalents	(1,475)	(478)	398	386	171
Cash and cash equivalents at					
 the end of the year/period	11,819	10,198	8,784	11,014	15,508

SUMMARY

Selected Operating Data

The table below sets forth selected operating data for our international and China logistics businesses for the periods indicated:

	Year Ended March 31,			Three Months Ended June 30,	
	2021	2022	2023	2022	2023
	<i>(in millions)</i>				
International logistics – parcel volume . . .	1,381	1,679	1,519	347	439
China logistics – number of logistics orders fulfilled	1,116	1,462	2,311	545	736

OUR CONTROLLING SHAREHOLDERS AND CONNECTED TRANSACTIONS

As of the Latest Practicable Date, Alibaba, through its wholly-owned subsidiaries, is indirectly interested in 10,690,860,833 Shares, representing approximately 69.54% of our total issued share capital. Immediately after the completion of the [REDACTED] (assuming (i) the [REDACTED] is not exercised and (ii) no other Shares are issued under the Pre-[REDACTED] Equity Incentive Plans and Post-[REDACTED] Equity Incentive Plan), Alibaba, through its wholly-owned subsidiaries, will control approximately [REDACTED]% of our total issued share capital. Therefore, Alibaba, together with its wholly-owned subsidiaries, will be our Controlling Shareholders, and our Company will remain as a subsidiary of Alibaba after the [REDACTED].

We have entered into a number of transactions with Alibaba, its subsidiaries and associates on arm’s length terms which constitute the framework of our comprehensive business cooperation: (i) the IP Licensing Agreement, whereby Alibaba Group and our Group will share the use of certain intellectual properties underlying certain software and technologies used in their respective business operations on a non-exclusive, perpetual and royalty-free basis; (ii) Advertisement and Promotional Services Framework Agreements, whereby we will provide Alibaba, its subsidiaries and associates certain advertisement and promotional services; (iii) Technical Services Framework Agreements, whereby we will provide Alibaba, its subsidiaries and associates hardware and software technical support services; (iv) Warehouse Consultancy and Management Cooperation Agreement, whereby we will provide Alibaba, its subsidiaries and associates warehouse consultancy and management services; (v) Cloud Services Framework Agreement, whereby Alibaba Cloud Computing Ltd. will provide and/or cause its subsidiaries and associates to provide to our Group public cloud computing services; (vi) Shared Services Framework Agreement, whereby Alibaba.com China Limited will provide and/or cause its subsidiaries and associates to provide to our Group certain back-office and administrative support and shared services; (vii) Supply Chain Solutions and Logistics Services Framework Agreements, whereby we will provide Alibaba, its subsidiaries and associates integrated supply chain solutions and other logistics services; (viii) Express Delivery Services Framework Agreements, whereby Zhejiang Danniao will provide to our Group certain premium express delivery services in China, and Zhejiang Yizhan will provide to our Group pick-up services for *Cainiao Guoguo* (菜鸟裹裹); and (ix) Freight Delivery Services Agreement, whereby BEST Logistics Technologies (China) Co., Ltd. will provide to our Group certain freight delivery services, including line-haul transportation.

SUMMARY

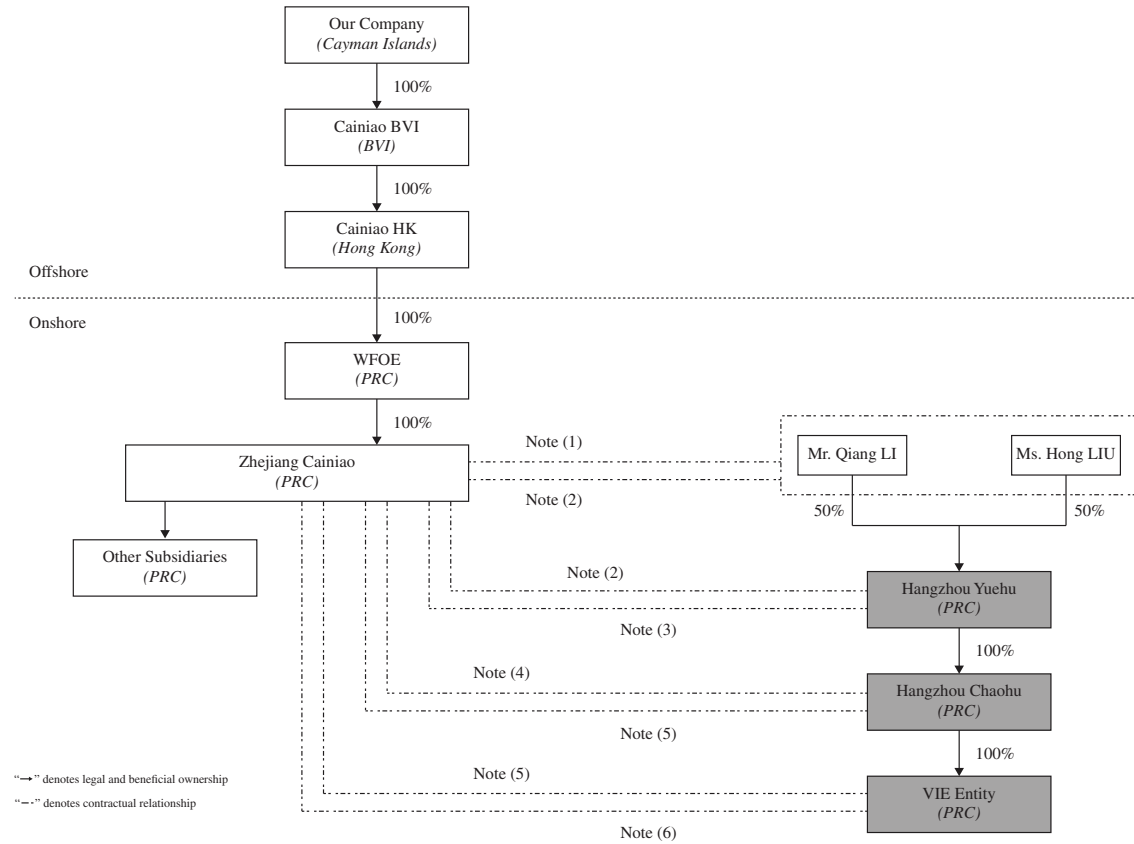
We have applied for and the Stock Exchange [has granted] waivers for strict compliance with the Listing Rules in respect of these transactions. See “Connected Transactions” for details.

CONTRACTUAL ARRANGEMENTS

Our Company operates or may operate in certain industries that are subject to restrictions under the current PRC laws and regulations. In order to comply with such laws while availing ourselves of international capital markets and maintaining effective control over all of our operations, we enhanced the structure we use to hold the VIE Entity and entered into the Contractual Arrangements. The equity interest of the VIE Entity, instead of being directly held by an individual, is currently directly held by an SPV, Hangzhou Chaohu, which in turn is indirectly held (through another layer of SPV, Hangzhou Yuehu) by two individual PRC citizens, each of whom holds 50% of the equity interest in Hangzhou Yuehu. See “Contractual Arrangements” for details.

SUMMARY

The following diagram sets out the current ownership structure and the Contractual Arrangements of the VIE Entity:



Notes:

- (1) Zhejiang Cainiao agreed to provide an interest-free loan to the Registered Shareholders, which may only be used for the purpose of the business operation activities agreed by Zhejiang Cainiao. See “Contractual Arrangements — Our Contractual Arrangements — Summary of the agreements under the Contractual Arrangements — Loan agreements”.
- (2) The Registered Shareholders agreed to grant an exclusive option to Zhejiang Cainiao to purchase all or any part of the equity interests from the Registered Shareholders and/or all or any of the assets in Hangzhou Yuehu. See “Contractual Arrangements — Our Contractual Arrangements — Summary of the agreements under the Contractual Arrangements — Exclusive option agreements”. The Registered Shareholders irrevocably appointed Zhejiang Cainiao or its designee(s) to act as their attorney on their behalf to exercise all rights in connection with matters concerning their right as shareholders of Hangzhou Yuehu. See “Contractual Arrangements — Our Contractual Arrangements — Summary of the agreements under the Contractual Arrangements — Powers of attorney on shareholders’ voting rights”. The Registered Shareholders agreed to pledge all of their respective equity interests in Hangzhou Yuehu to Zhejiang Cainiao, as a security interest to guarantee the performance of contractual obligations and the payment of the outstanding loan of the Registered Shareholders under the Contractual Arrangements. See “Contractual Arrangements — Our Contractual Arrangements — Summary of the agreements under the Contractual Arrangements — Equity interest pledge agreements”.
- (3) Hangzhou Yuehu agreed to engage Zhejiang Cainiao as its exclusive provider of, among other matters, technical support and consultancy services in exchange for service fees. See “Contractual Arrangements — Our Contractual Arrangements — Summary of the agreements under the Contractual Arrangements — Exclusive service agreements”.

SUMMARY

- (4) Zhejiang Cainiao agreed to provide an interest-free loan to Hangzhou Chaohu, which may only be used for the purpose of the business operation activities agreed by Zhejiang Cainiao. See “Contractual Arrangements — Our Contractual Arrangements — Summary of the agreements under the Contractual Arrangements — Loan agreements”.
- (5) Hangzhou Chaohu agreed to grant an exclusive option to Zhejiang Cainiao to purchase all or any part of the equity interests from Hangzhou Chaohu and/or all or any of the assets in the VIE Entity. See “Contractual Arrangements — Our Contractual Arrangements — Summary of the agreements under the Contractual Arrangements — Exclusive option agreements”. Hangzhou Chaohu irrevocably appointed Zhejiang Cainiao or its designee(s) to act as its attorney on its behalf to exercise all rights in connection with matters concerning its right as the sole shareholder of the VIE Entity. See “Contractual Arrangements — Our Contractual Arrangements — Summary of the agreements under the Contractual Arrangements — Powers of attorney on shareholders’ voting rights”. Hangzhou Chaohu agreed to pledge all of its respective equity interests in the VIE Entity to Zhejiang Cainiao, as a security interest to guarantee the performance of contractual obligations and the payment of the outstanding loan of Hangzhou Chaohu under the Contractual Arrangements. See “Contractual Arrangements — Our Contractual Arrangements — Summary of the agreements under the Contractual Arrangements — Equity interest pledge agreements”.
- (6) The VIE Entity agreed to engage Zhejiang Cainiao as its exclusive provider of, among other matters, technical support and consultancy services in exchange for service fees. See “Contractual Arrangements — Our Contractual Arrangements — Summary of the agreements under the Contractual Arrangements — Exclusive service agreements”.
- (7) “[REDACTED]” denotes our Registered Shareholders, which are Mr. Qiang LI and Ms. Hong LIU.
- (8) “[REDACTED]” denotes our Consolidated Affiliated Entities, which are Hangzhou Yuehu, Hangzhou Chaohu and the VIE Entity.

OUR PRE-[REDACTED] INVESTMENTS

We received multiple series of equity financings from our Pre-[REDACTED] Investors from 2016 to 2020 to support the expansion of our business operations. See “History and Corporate Structure — Pre-[REDACTED] Investments.”

DIVIDEND POLICY

Since our inception, we have not declared or paid any dividends on our Shares. We have no present plan to pay any dividends on our Shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

Any future determination to pay dividends will be made at the discretion of our board of directors and may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant. See “Financial Information — Dividend Policy.”

SUMMARY

[REDACTED]

[REDACTED]

We expect to incur [REDACTED] of approximately RMB[REDACTED], representing approximately [REDACTED]% of the [REDACTED], assuming that the [REDACTED] is conducted at the indicative [REDACTED] per [REDACTED] of HK\$[REDACTED] for both [REDACTED] and [REDACTED] and the [REDACTED] is not exercised, of which, approximately RMB[REDACTED] is expected to be recognized as general and administrative expenses and approximately RMB[REDACTED] is expected to be capitalized and deducted from equity upon completion of the [REDACTED]. In respect of the total amount charged or to be charged to our profit or loss, approximately RMB[REDACTED] has been charged to our profit or loss during the Track Record Period and the remaining RMB[REDACTED] is expected to be charged to our profit or loss after the Track Record Period.

USE OF [REDACTED]

We estimate that we will receive net [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED] million after deducting estimated [REDACTED] and the estimated [REDACTED] expenses payable by us and based upon an indicative [REDACTED] of HK\$[REDACTED] per [REDACTED] for both [REDACTED] and [REDACTED], and assuming the [REDACTED] is not exercised in full. We plan to use the net [REDACTED] we will receive from the [REDACTED] as follows:

SUMMARY

- Approximately [REDACTED]%, or HK\$[REDACTED], is expected to be used for further developing our international logistics capabilities and network;
- Approximately [REDACTED]%, or HK\$[REDACTED], is expected to be used for further developing our China domestic logistics capabilities and network;
- Approximately [REDACTED]%, or HK\$[REDACTED], is expected to be used for research and development and technology innovations; and
- Approximately [REDACTED]%, or HK\$[REDACTED], will be used for working capital and other general corporate purposes.

See “Future Plans and Use of [REDACTED].”

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the [REDACTED] of the Stock Exchange for the granting of the [REDACTED] of, and permission to deal in, our Shares in issue and to be issued pursuant to the [REDACTED] on the basis that, among other things, we satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules with reference to (i) our revenue of RMB77,800 million (equivalent to approximately HK\$84,828 million) for the fiscal year ended March 31, 2023 exceeds HK\$500 million, and (ii) our expected market capitalization at the time of [REDACTED], which, based on the low-end of the indicative [REDACTED] range, exceeds HK\$4 billion.

[REDACTED]

RECENT DEVELOPMENTS

As a part of its new organizational and corporate governance implementation initiatives, Alibaba has recently restructured its holding structure of our Company to establish a direct equity relationship between Alibaba International Digital Commerce Group and us to reflect the strategy to strengthen and leverage our collaborative relationships to develop additional innovative solutions for cross-border e-commerce and further expand into international markets. See “History and Corporate Structure — Major Shareholding Changes of Our Company.”

SUMMARY

On June 5, 2023, Zhejiang Cainiao, our wholly-owned subsidiary, entered into a share transfer agreement with Shanghai De’e Industrial Development Co., Ltd., a wholly-owned subsidiary of Alibaba, pursuant to which Shanghai De’e agreed to transfer to our Company all of its equity interest in STO Express Co., Ltd., representing approximately 25% of the issued share capital of STO, at a total consideration of approximately RMB3,878 million. Upon completion on August 31, 2023, our Company holds approximately 25% of the issued share capital of STO. See “Waivers from Strict Compliance with the Listing Rules and Exemptions from the Companies (Winding up and Miscellaneous Provisions) Ordinance — Waiver in respect of Acquisition after the Track Record Period.”

To streamline our corporate structure, we have entered into agreements with Alibaba Group to acquire the minority interests of certain of our non wholly-owned subsidiaries. The consideration of RMB110 million for such acquisitions was based on arm’s length commercial negotiations, and was fully settled by cash as of August 30, 2023. See Note 43 of the Accountant’s Report set out in Appendix I to this document.

NO MATERIAL ADVERSE CHANGE

After due and careful consideration, our Directors confirm that, up to the date of this document, there has not been any material adverse change in our financial or trading position or prospects since June 30, 2023, and there has been no event since June 30, 2023 which would materially affect the information shown in the Accountant’s Report in Appendix I to this document.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below.

“2015 Draft PRC Foreign Investment Law”	the PRC Foreign Investment Law (Consultation Draft) (《中華人民共和國外國投資法(草案徵求意見稿)》) published by the MOFCOM in January 2015
“2015 Plan”	the equity incentive plan of our Company adopted on December 30, 2015, as amended from time to time, the principal terms of which are set out in the section headed “Statutory and General Information — D. Equity Incentive Plans — 1. 2015 Plan” in Appendix V to this document
“2018 Plan”	the equity incentive plan of our Company adopted on October 31, 2018, as amended from time to time, the principal terms of which are set out in the section headed “Statutory and General Information — D. Equity Incentive Plans — 2. 2018 Plan” in Appendix V to this document
“2019 PRC Foreign Investment Law”	the PRC Foreign Investment Law (《中華人民共和國外商投資法》) adopted at the Second Session of the Thirteenth National People’s Congress of the PRC on March 15, 2019
“Accountant’s Report”	the accountant’s report of the Company for the Track Record Period, the text of which is set out in Appendix I to this document
“affiliate(s)”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	the Accounting and Financial Reporting Council of Hong Kong
“Ali CN Investment”	Ali CN Investment Holding Limited, a BVI business company incorporated in the BVI on May 15, 2015, a wholly-owned subsidiary of Alibaba and a Controlling Shareholder of our Company

DEFINITIONS

“Ali KB Investment”	Ali KB Investment Holding Limited, an exempted company incorporated in the Cayman Islands on July 7, 2015, a wholly-owned subsidiary of Alibaba and a Controlling Shareholder of our Company
“Alibaba”	Alibaba Group Holding Limited (阿里巴巴集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on June 28, 1999 (American Depository Shares of which are listed on the New York Stock Exchange (ticker symbol: BABA) and ordinary shares of which are listed on the Main Board of the Stock Exchange (stock code: 9988 (HKD Counter) and 89988 (RMB Counter)) and a Controlling Shareholder of our Company
“Alibaba Cayman”	Alibaba.com International (Cayman) Holding Limited, an exempted company incorporated in the Cayman Islands on July 19, 2006, a wholly-owned subsidiary of Alibaba Investment and a Controlling Shareholder of our Company
“Alibaba Group”	Alibaba and its consolidated subsidiaries and its consolidated affiliated entities, excluding our Group
“Alibaba International”	Alibaba.com International (BVI) Holding Limited, a BVI business company incorporated in the BVI on March 8, 2000, a wholly-owned subsidiary of Alibaba Cayman and a Controlling Shareholder of our Company
“Alibaba Investment”	Alibaba.com Investment Holding Limited, a BVI business company incorporated in the BVI on September 20, 2006, a wholly-owned subsidiary of Alibaba Limited and a Controlling Shareholder of our Company
“Alibaba Limited”	Alibaba.com Limited (阿里巴巴網絡有限公司), an exempted company incorporated in the Cayman Islands on September 20, 2006, which is held by Alibaba as to 80.02% and Alibaba Treasury as to 19.98% and a Controlling Shareholder of our Company
“Alibaba Treasury”	Alibaba Group Treasury Limited, a BVI business company incorporated in the BVI on February 15, 2008, a wholly-owned subsidiary of Alibaba and a Controlling Shareholder of our Company

DEFINITIONS

“Articles” or “Articles of Association”	the tenth amended and restated articles of association of our Company adopted by a special resolution passed on [●], 2023 with effect from the [REDACTED], a summary of which is set out in Appendix IV to this document
“Board” or “Board of Directors”	the board of directors of our Company
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Cainiao BVI”	Cainiao Smart Logistics Network (BVI) Limited, a BVI business company incorporated in the BVI on May 29, 2015 and a wholly-owned subsidiary of our Company
“Cainiao HK”	Cainiao Smart Logistics Network (Hong Kong) Limited (菜鳥智能物流網絡(香港)有限公司), a company incorporated in Hong Kong with limited liability on June 17, 2015 and a wholly-owned subsidiary of our Company

[REDACTED]

“Cayman Companies Act” or “Companies Act”	the Companies Act (2023 Revision) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
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[REDACTED]

“China” or “the PRC”	the People’s Republic of China
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DEFINITIONS

“CIC”	China Insights Industry Consultancy Limited, our industry consultant
“CIC Report”	an independent market research report commissioned by us and prepared by CIC for the purpose of this document
“Class A Ordinary Share(s)”	Class A ordinary share(s) in the share capital of our Company with a par value of US\$0.000001 each
“Class B Ordinary Share(s)”	Class B ordinary share(s) in the share capital of our Company with a par value of US\$0.000001 each
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
“Company”, “our Company”, “we” or “us”	Cainiao Smart Logistics Network Limited (菜鳥智慧物流網絡有限公司), an exempted company incorporated in the Cayman Islands with limited liability on May 20, 2015
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Consolidated Affiliated Entities”	the entities we control through the Contractual Arrangements, namely Hangzhou Yuehu, Hangzhou Chaohu and the VIE Entity. For further details of the entities, see “History and Corporate Structure” in this document
“Contractual Arrangements”	the exclusive service agreements, the loan agreements, the exclusive option agreements, the powers of attorney on shareholders’ voting rights, the equity interest pledge agreements and the spouse undertakings as more particularly described in the section headed “Contractual Arrangements” in this document

DEFINITIONS

“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, strictly in accordance with such meaning, includes Alibaba, Ali CN Investment, Alibaba Treasury, Alibaba Limited, Alibaba Investment, Alibaba Cayman, Alibaba International and Ali KB Investment, and “Controlling Shareholder” shall mean any one of them
“C-REIT”	China real estate investment trust
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of our Company
“Elite Data”	Elite Data Company Ltd, a BVI business company incorporated in the BVI on April 14, 2020 which is wholly owned by Guojun Evergreen Trust and a Shareholder of our Company
“Elite Idea”	Elite Idea Investment Limited, a BVI business company incorporated in the BVI on June 13, 2023 which is wholly owned by Guojun Evergreen Trust and a Shareholder of our Company
“EU”	the European Union
“Extreme Conditions”	any extreme conditions or events, the occurrence of which will cause interruption to the ordinary course of business operations in Hong Kong and/or that may affect the [REDACTED]

[REDACTED]

“GDPR”	the European Union General Data Protection Regulation
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[REDACTED]

DEFINITIONS

“Group”, “our Group”, “we”, “our” or “us”	our Company and our subsidiaries, or where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“Hangzhou Chaohu”	Hangzhou Chaohu Network Technology Co., Ltd.* (杭州超鵠網絡技術有限公司), a company established in the PRC with limited liability on August 18, 2023, which is wholly owned by Hangzhou Yuehu and a Consolidated Affiliated Entity of our Company
“Hangzhou Xiniao”	Hangzhou Xiniao Logistics Technology Co., Ltd.* (杭州溪鳥物流科技有限公司), a company established in the PRC on April 12, 2018, a non wholly-owned subsidiary of our Company which is held by our Company as to 56.6%, Ningbo Meishan Bonded Port Area Fushan Investment Co., Ltd.* (寧波梅山保稅港區福杉投資有限公司) as to 18.5%, Shentong Investment Management (Zhoushan) Co., Ltd.* (申通投資管理(舟山)有限公司) as to 13.9% and Zhejiang Zhongrui Investment Management Co., Ltd.* (浙江仲瑞投資管理有限公司) as to 11.0%
“Hangzhou Yuehu”	Hangzhou Yuehu Enterprise Management Co., Ltd.* (杭州越鵠企業管理有限公司), a company established in the PRC with limited liability on August 16, 2023, which is wholly owned by the Registered Shareholders and a Consolidated Affiliated Entity of our Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

[REDACTED]

DEFINITIONS

[REDACTED]

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

[REDACTED]

“IFRS” International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board

“independent third party(ies)” person(s) or company(ies), who/which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not our connected persons as defined under the Listing Rules

[REDACTED]

DEFINITIONS

[REDACTED]

“Joint Sponsors”	the joint sponsors as named in the section headed “Directors and Parties Involved in the [REDACTED]” of this document
“Keen Leap”	Keen Leap International Limited, a BVI business company incorporated in the BVI on September 5, 2022 which is wholly owned by Guojun Evergreen Trust and a Shareholder of our Company
“Latest Practicable Date”	September 20, 2023, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained in this document

[REDACTED]

DEFINITIONS

“Listing Committee”	the Listing Committee of the Stock Exchange
	[REDACTED]
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“M&A Rules”	the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定)
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Major Subsidiaries”	our subsidiaries and consolidated affiliated entities as identified in “History and Corporate Structure — Our Major Subsidiaries”
“Memorandum” or “Memorandum of Association”	the tenth amended and restated memorandum of association of our Company adopted by the Shareholders by a special resolution passed on [●], 2023 with effect from the [REDACTED], a summary of which is set out in Appendix IV to this document
“MIIT”	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Tsai” or “Joseph C. TSAI”	Joseph Chung TSAI (蔡崇信), chairman of our Board and one of our non-executive Directors
“NYSE”	New York Stock Exchange

DEFINITIONS

[REDACTED]

“Post-[REDACTED] Equity Incentive Plan”	the post-[REDACTED] equity incentive plan of our Company conditionally adopted pursuant to a resolution passed by our Shareholders on [●], 2023, the principal terms of which are set out in the section headed “Statutory and General Information — D. Equity Incentive Plans — 3. Post-[REDACTED] Equity Incentive Plan” in Appendix V to this document
“PRC government” or “State”	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
“PRC Legal Adviser”	Fangda Partners, acting as legal counsel as to PRC law to our Company
“Pre-[REDACTED] Equity Incentive Plans”	collectively, the 2015 Plan and the 2018 Plan
“Pre-[REDACTED] Investments”	the investments made by the Pre-[REDACTED] Investors, the principal terms of which are summarized in “History and Corporate Structure — Pre-[REDACTED] Investments” in this document

DEFINITIONS

[REDACTED]

“Profit Reach” Profit Reach International Limited, a BVI business company incorporated in the BVI on April 21, 2015 which is wholly owned by Guojun Evergreen Trust and a Shareholder of our Company

[REDACTED]

“QIB” a qualified institutional buyer within the meaning of Rule 144A

“Registered Shareholders” the registered shareholders of Hangzhou Yuehu, namely Mr. Qiang LI and Ms. Hong LIU

“Regulation S” Regulation S under the U.S. Securities Act

“RMB” Renminbi, the lawful currency of the PRC

“RSU(s)” restricted share unit(s) granted under the Pre-[REDACTED] Equity Incentive Plans and/or the Post-[REDACTED] Equity Incentive Plan

“Rule 144A” Rule 144A under the U.S. Securities Act

“SAFE” State Administration of Foreign Exchange of the People’s Republic of China (中華人民共和國國家外匯管理局)

“SAFE Circular 37” the “Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles” (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) issued by SAFE with effect from July 4, 2014

DEFINITIONS

“SAMR” or “SAIC”	State Administration for Market Regulation (國家市場監督管理總局), formerly known as State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商管理總局)
“SEC” or “U.S. SEC”	the U.S. Securities and Exchange Commission
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)” or “Ordinary Share(s)”	ordinary share(s) in the share capital our Company with a par value of US\$0.000001 each
“Shareholder(s)”	holder(s) of our Shares
“Shareholders’ Agreement”	the shareholders agreement dated May 12, 2023 entered into between, among others, our Company, Ali CN Investment, Ali KB Investment, Profit Reach and the then Shareholders of our Company, as amended by the amendment to the shareholders agreement dated September 18, 2023

[REDACTED]

“SPV”	a special purpose vehicle
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[REDACTED]

“Stock Exchange” or “HKEX”	The Stock Exchange of Hong Kong Limited
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DEFINITIONS

“Takeovers Code” the Hong Kong Code on Takeovers and Mergers, as amended, supplemented or otherwise modified from time to time

“Track Record Period” the years ended March 31, 2021, 2022 and 2023 and the three months ended June 30, 2023

“UK” or “United Kingdom” the United Kingdom of Great Britain and Northern Ireland

[REDACTED]

“U.S.” or “United States” the United States of America

“U.S. dollars” or “US\$” United States dollars, the lawful currency of the United States

“U.S. Securities Act” the United States Securities Act of 1933, as amended from time to time

“VIE Entity” or “Hangzhou Cainiao” Hangzhou Cainiao Logistics Information Technology Co., Ltd.* (杭州菜鳥物流信息科技有限公司), a company established in the PRC with limited liability on June 18, 2015 and a Consolidated Affiliated Entity of our Company

“WFOE” Cainiao Network Technology Co., Ltd.* (菜鳥網絡科技有限公司), a company established in the PRC on May 16, 2013 and a wholly-owned subsidiary of our Company

[REDACTED]

DEFINITIONS

“Zhejiang ALOG”	Zhejiang ALOG Supply Chain Management Co., Ltd.* (浙江心怡供應鏈管理有限公司), a company established in the PRC on October 28, 2004, a wholly-owned subsidiary of Zhejiang Cainiao
“Zhejiang Cainiao”	Zhejiang Cainiao Supply Chain Management Co., Ltd.* (浙江菜鳥供應鏈管理有限公司), a company established in the PRC on July 4, 2012, a direct wholly-owned subsidiary of the WFOE and a wholly-owned subsidiary of our Company
“Zhejiang Danniao”	Zhejiang Danniao Logistics Technology Co., Ltd.* (浙江丹鳥物流科技有限公司), a company established in the PRC on August 31, 2009, a non wholly-owned subsidiary of our Company which is held by our Company as to 80.49% and Alibaba Group as to 19.51%
“Zhejiang Yizhan”	Zhejiang Yizhan Network Technology Co., Ltd.* (浙江驛棧網絡科技有限公司), a company established in the PRC on July 12, 2017, a non wholly-owned subsidiary of our Company which is held by our Company as to 51%, Alibaba Group as to 16.77%, Shanghai Zhongtongji Network Technology Co., Ltd.* (上海中通吉網絡技術有限公司) as to 13.75% and other minority shareholders as to 18.48%
“%”	per cent.

* For identification purposes only

In this document, the terms “associate(s)”, “close associate(s)”, “connected person(s)”, “connected transaction(s)”, “core connected person(s)”, “controlling shareholder(s)”, “subsidiary(ies)” and “substantial shareholder(s)” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

GLOSSARY

This glossary of technical terms contains explanations of certain technical terms used in this document. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

“AGVs”	automated guided vehicles
“AI”	artificial intelligence
“AliExpress”	a global retail marketplace operated by Alibaba Group that enables global consumers to buy directly from manufacturers and distributors in China and around the world
“API”	application programming interface
“AS/RS”	automated storage and retrieval system
“BMS”	business management system
“BSAs”	block space agreements
“B2B”	business-to-business
“B2C”	business-to-consumer
“CPFR”	collaborative, planning, forecasting and replenishment, an application as part of our digital supply chain solutions
“DSCC”	digital supply chain center, an application as part of our digital supply chain solutions
“e-Hub”	integrated e-commerce logistics hub combining sorting, consolidation, warehousing and distribution capabilities
“ESG”	environmental, social and governance
“express delivery”	the moving of parcels from place of origin to destination, typically through first-mile pick-up, sorting, line-haul transportation and last-mile delivery
“first-mile pick-up”	initial collection of a parcel in preparation for subsequent transportation

GLOSSARY

“FMCG”	fast-moving consumer goods
“GFA”	gross floor area
“GHG”	greenhouse gas
“GMV”	gross merchandise value
“IoT”	Internet of things
“last-mile delivery”	transportation of a parcel from the local delivery station to the final delivery destination
“line-haul transportation”	the long-distance movement of freight, goods or parcels, typically between cities or countries through air, ocean, rail or road transportation
“logistics”	the movement of freight, goods or parcels from the shipper to the recipients
“logistics orders fulfilled”	logistics orders we fulfilled for our customers
“MAUs”	monthly active users
“omni-channel”	a business strategy that aims to provide a seamless shopping experience across all channels, including in store and online
“OMS”	order management system
“OTWB operations suite”	order, transportation, warehouse and business operations suite
“parcel volume”	the number of parcels delivered (for our supply chain solutions, where one order may be fulfilled through one or more parcels, we count each order as one parcel only)
“PDA”	personal digital assistant, a handheld device used for warehouse management
“‘pick-up, drop-off’ stations”	stations that enable consumers to pick up or drop off their parcels
“REIT”	real estate investment trust
“reverse logistics”	logistics services that manage the movement of goods from consumers back to manufacturers or sellers

GLOSSARY

"RFID"	radio-frequency identification
"SKU"	stock keeping unit, a unique identifier used in retail and manufacturing to keep track of inventory
"SME"	small and medium-sized enterprises
"sorting center"	transshipping and operating centers that connect transportation resources including that for centralized parcel sorting, distribution and transshipment
"supply chain"	an interconnected system of warehousing, distribution and delivery of goods
"TMS"	Transportation Management System
"WMS"	Warehouse Management System

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that involve risks and uncertainties, including statements based on our current expectations, assumptions, estimates and projections about us, our industries and the regulatory environment in which we, our customers and our logistics partners operate. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. In some cases, these forward-looking statements can be identified by words or phrases such as "may," "will," "expect," "target," "goal," "anticipate," "aim," "estimate," "intend," "plan," "seek," "believe," "potential," "continue," "is/are likely to" or other similar expressions. The forward-looking statements included in this document relate to, among others:

- our growth strategies;
- our future business development and goals, results of operations and financial condition;
- trends in the global e-commerce and e-commerce logistics industries;
- competition;
- fluctuations in general economic, political and business conditions in the jurisdictions where we operate;
- expected changes in our revenues and certain cost and expense items and our operating margins;
- geopolitical tensions, international trade policies, protectionist policies and other policies that could place restrictions on economic and e-commerce activities;
- the regulatory environment in which we, our customers and our logistics partners operate; and
- assumptions underlying or related to any of the foregoing.

The global e-commerce and e-commerce logistics industries or markets may not grow at the rates projected by market data, or at all. The failure of these industries or markets to grow at the projected rates may have a material adverse effect on our business, financial condition and results of operations and the [REDACTED] of our Shares. If any one or more of the assumptions underlying the industry or market data turns out to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

The forward-looking statements made in this document relate only to events or information as of the date on which the statements are made in this document. We undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this document and the documents that we have referred to in this document completely and with the understanding that our actual future results may be materially different from what we expect.

RISK FACTORS

An [REDACTED] in our Shares involves significant risks. You should carefully consider all of the information set out in this document before making an [REDACTED] in the Shares, including the risks and uncertainties described below in respect of our business and our industry and the [REDACTED]. You should pay particular attention to the fact that we are an exempted company incorporated in Cayman Islands and that our operations are conducted in China and a number of other jurisdictions, and we are facing different legal and regulatory environments. Our business could be affected materially and adversely by any of these risks.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward-looking Statements" in this document.

RISKS RELATED TO OUR INDUSTRY AND BUSINESS

Our business and growth are significantly affected by the development of global e-commerce, as well as macroeconomic and other factors that affect demand for logistics services.

We are a global leader in e-commerce logistics. We serve merchants, brands, consumers, platforms as well as logistics companies participating in e-commerce in China and globally. As such, our business and growth are highly dependent on the viability and prospects of the e-commerce industry, which drives demand for logistics services, including ours, in China and globally. Any uncertainties relating to the growth, profitability or regulatory regime of the e-commerce industry in the jurisdictions where we operate could have a significant impact on us. The development of the e-commerce industry is affected by a number of factors, most of which are beyond our control. These factors include:

- macroeconomic and policy factors, such as economic growth, unemployment rates, inflation and deflation, fluctuation of foreign exchange rates, volatility of stock and property markets, interest rates, tax and tariff rates, energy demand and supply, instability in the financial system, as well as monetary and fiscal policies adopted by central banks and financial authorities of the world's leading economies, among others;
- changes in consumer disposable income, consumption power, demographics, tastes and preferences, as well as confidence and spending behaviors;
- the selection, price and popularity of products offered on e-commerce platforms;

RISK FACTORS

- the emergence of alternative channels or business models that better suit the needs of consumers;
- changes in laws and regulations, as well as government policies that govern the e-commerce industry;
- changes in politics, including geopolitical tensions, military conflicts (such as the Russia-Ukraine conflict), political turmoil and social instability;
- the development of logistics, payment and other ancillary services associated with e-commerce;
- the growth of broadband and mobile Internet penetration and usage;
- the availability, reliability and security of e-commerce platforms; and
- the potential impact of any health epidemics on our business operations and the overall economy.

We expect e-commerce to continue evolving in its forms and changing the ways in which business is transacted, such as the integration of online sales and offline sales in supermarkets and retail stores. As such, new opportunities and challenges may arise that drive further demand for innovative, efficient, reliable and cost-effective logistics services. If the e-commerce industry does not grow or develop as we expected, or if we cannot effectively adapt to such industry trends, our market leadership position, results of operations and prospects may be materially and adversely affected.

We may face challenges in expanding our international logistics business and operations.

We provide a comprehensive suite of cross-border logistics services to facilitate deliveries of goods between China and a large number of destinations globally as well as overseas local logistics services. As we continue to grow our international business and expand our service coverage to more international destinations, we face risks associated with expanding into, and operating in, an increasing number of geographic markets. In particular, the expansion of our international logistics business will expose us to risks and challenges inherent in operating businesses globally, including:

- lack of acceptance of our product and service offerings, and challenges of adapting our offerings to preferences of a new geographic market, business practices, culture and operations;

RISK FACTORS

- challenges in replicating or adapting our Company's policies and procedures to operating environments across various global markets, including technology, logistics infrastructure as well as corporate culture;
- challenges in maintaining efficient and consolidated internal systems, including information technology infrastructure, and in achieving customization and integration of these systems with the other parts of our global network;
- changes in applicable cross-border e-commerce tax laws, such as the EU's removal of value-added tax exemption for cross-border parcels valued below 22 Euro in July 2021, and other new legislative developments in tax exemption which could reduce the volume of cross-border e-commerce transactions and negatively affect our cross-border logistics services;
- differing, complex and potentially adverse customs, import/export laws, tax rules and regulations or other trade barriers or restrictions, related compliance obligations and consequences of non-compliance, and any new developments in these areas;
- protectionist or national security policies that restrict our ability to:
 - o invest in or acquire companies;
 - o develop, import or export certain technologies, such as the national AI initiative proposed by the U.S. government; or
 - o utilize technologies that are deemed by local governmental regulators to pose a threat to their national security;
- obtain or maintain the necessary licenses and authorizations to operate our businesses;
- failure to attract and retain capable talents with international perspectives who can effectively manage and operate our overseas local businesses;
- compliance with local laws and regulations, including those relating to logistics services, privacy and data security, employment and labor protection, and increased compliance costs across different legal systems, including the need for increased resources to manage regulatory compliance across our international businesses;
- heightened restrictions and barriers on the transfer of data between different jurisdictions;
- exchange rate fluctuations, which may have a negative impact on our revenues in foreign currencies or result in foreign exchange loss; and
- political instability and general economic or political conditions in particular countries or regions, including territorial or trade disputes, war and terrorism.

Failure to manage these risks and challenges could negatively affect our ability to expand our international logistics business and operations as well as materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

We have a strategic and synergistic relationship with Alibaba Group. If we are unable to maintain such relationship with Alibaba Group or adapt to changes in the Alibaba ecosystem, or if the Alibaba ecosystem does not grow as expected, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We and Alibaba Group have developed a strategic and synergistic relationship and comprehensive business cooperation. We provide logistics services to Alibaba Group, such as supporting *Choice* by AliExpress, and Tmall Supermarket, a direct sales channel of Alibaba Group, and to a smaller extent, advertisement, promotional, technical and consultancy and management services to Alibaba Group. In fiscal years 2021, 2022 and 2023 and the three months ended June 30, 2023, we generated revenue of RMB15,423 million, RMB20,614 million, RMB21,901 million and RMB6,880 million from Alibaba Group, respectively, representing approximately 29.2%, 30.8%, 28.2% and 29.7% of our revenue for the respective periods. We also purchase certain back-office and administrative support and shared services from Alibaba Group. See “Relationship with Our Controlling Shareholders” and “Connected Transactions.” We expect to continue our cooperation with Alibaba Group in various aspects after the [REDACTED]. As such, if Alibaba Group discontinues its cooperation with us, stops providing support to us, or conducts business in a manner or takes other actions that are detrimental to our interests, we may have to renegotiate with Alibaba Group for the cooperation or support, or attempt to approach other business partners as replacements, or seek alternative revenue sources, or build certain capabilities on our own, which may be expensive, time-consuming and disruptive to our operations. If we are unable to maintain our relationship with Alibaba Group, our business and operations could be severely disrupted, which could materially and adversely affect our reputation, results of operations and financial condition.

Aside from Alibaba Group being our customer, we generate a substantial portion of our revenue from merchants on the various e-commerce platforms operated by Alibaba Group, such as Taobao, Tmall and AliExpress, and consumers within the Alibaba ecosystem. Merchants are typically free to choose their logistics service providers in fulfilling orders placed through the e-commerce platforms operated by Alibaba Group, and we compete with other logistics providers to serve merchants on these platforms. As such, if Alibaba Group discontinues our access to e-commerce platforms, merchants, consumers and logistics companies within the Alibaba ecosystem, or if the e-commerce platforms operated by Alibaba Group lose their market positions, suffer any negative publicity, become subject to heightened regulatory requirements and scrutiny or adverse changes in laws, or become unable to compete with other e-commerce platforms domestically or overseas, our business operations and order volumes, our marketing efforts, our relationships with merchants and strategic partners, as well as our reputation and brand could suffer an adverse impact.

The business strategies and operational focuses of Alibaba Group have evolved in the past and may continue to evolve in the future. We have successfully adapted to and facilitated such changes in the past to address the logistics needs of various e-commerce platforms operated by Alibaba Group. However, we cannot assure you that we will be able to continue to do so. If we cannot continue to innovate and successfully make adjustments to our services to adapt to such changes and merchants’ evolving needs, our business and results of operations will be

RISK FACTORS

negatively affected. In addition, Alibaba has implemented a new organizational and governance structure, under which Alibaba is the holding company of six major business groups and various other businesses, with each business operating with a high degree of independence. Taobao and Tmall Group and Alibaba International Digital Commerce Group operate the e-commerce marketplaces which serve a significant number of merchants who use our services and operate certain direct sales businesses that utilize our logistics services. Under the new organizational and governance structure, we might have to adjust current and develop new business relationships and arrangements with them. There can be no assurance that we can continue our current business arrangements on a similar basis. Furthermore, our relationship with Alibaba Group may negatively affect our ability to procure new customers if they are in a competitive position with Alibaba Group.

Alibaba, together with its wholly-owned subsidiaries, are our Controlling Shareholders, and we will continue to be controlled by Alibaba after the [REDACTED]. Although we are managed by an independent management team, Alibaba has significant influence over us and its interests may not be fully aligned with the interests of our other Shareholders. See “— Our Controlling Shareholders have significant influence over our Company and their interests may not be aligned with the interests of our other Shareholders.”

If we are not able to continue to innovate in new logistics products, services and technologies, our business, financial condition and results of operations could be materially and adversely affected.

Our historical success has been underpinned by our ability to offer industry-redefining products and services for our customers with compelling value propositions. Since our inception, we have continuously innovated in new logistics products, services and technologies to address unmet customer needs, such as a comprehensive delivery product portfolio for cross-border e-commerce delivery, reverse logistics services, *Cainiao Post* solution, omni-channel supply chain management for brands, and technology solutions to logistics companies and brands. Failure to continue to innovate in products and services, or effectively identify and address new customer needs may make it difficult to differentiate ourselves from other companies providing similar services and could damage our leading position and erode our market share, which in turn could materially and adversely affect our business, financial condition, results of operations and prospects.

The business environment in which we operate is characterized by rapidly changing technologies, evolving industry standards and regulations and changing customer demand and trends. Our success will also depend, in part, on our ability to identify, develop, acquire or license leading logistics technologies useful for our business, and respond to technological development and evolving industry standards and regulations in a cost-effective and timely manner. As a result, we must continue to invest significant resources in research and development to enhance our technology capabilities, encompassing IoT and other smart hardware, automation and AI, among others. We cannot assure you that we will be successful

RISK FACTORS

in adopting and implementing new technologies. If we are unable to respond or adapt in a cost-effective and timely manner to technological development, our business, financial condition and results of operations could be materially and adversely affected.

We may not be able to expand and strengthen our global logistics network, including critical nodes, such as e-Hubs, warehouses and sorting centers, in a capital-efficient and cost-effective manner.

We develop, manage and operate our global logistics network through a combination of controlling critical nodes and leveraging the capabilities of our partners. In particular, we seek to control assets and capabilities at critical nodes throughout the logistics value chain, including e-Hubs, warehouses, sorting centers and last-mile delivery operations. In line with our strategy to optimize capital utilization, we control many of these key nodes not through ownership of the relevant properties or long-term leases but mainly through various commercial arrangements with their owners or leasehold interest holders. As such, our control over these critical nodes will depend upon our ability to maintain such arrangements. If we fail to maintain such arrangements on terms acceptable to us or at all, we may lose control over the critical nodes and the capacity and service quality of our logistics network may be materially and adversely affected.

We also cooperate with logistics partners to further expand and strengthen our logistics network and the service quality and capabilities of logistics partners may materially affect our business and operations. See “— We work with a variety of logistics partners, suppliers and other service providers in providing certain standard logistics products and services, such as air freight, and to support various aspects of our business operations. Failure to maintain positive relationships with them, or failure of our logistics partners, suppliers or other service providers in providing reliable or satisfactory products and services, could have a material adverse effect on our business, financial condition and results of operations.”

We plan to further expand and strengthen our global network of logistics infrastructure and capabilities. Our ability to do so in part depends on whether we can continue to identify and control critical logistics nodes in a capital-efficient manner. When carrying out such network expansion plan, we are subject to a variety of risks. For example, we may not be able to fund our plan due to a decline in the availability of funding sources, such as cash flow from operations and access to capital markets. Furthermore, properties that best suit our needs may not be available on commercially acceptable terms, in a timely manner or at all. Our ability to lease or acquire properties depends on a variety of factors, some of which are beyond our control, such as overall economic conditions, the availability of properties for lease, our effectiveness in identifying, leasing or acquiring properties suitable for our network and operations, competition for such properties, and the time needed to obtain relevant government approvals. Properties located in convenient locations or connected by quality roads, highways and railroad access may command a premium price, which may exceed our budget. We also

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may not be able to recruit a sufficient number of qualified employees to operate additional facilities and equipment. In addition, if our anticipated needs for facilities, fleets, equipment or personnel differ materially from actual usage, our operations may have more or less capacity than is optimal.

As we continue to build our infrastructure and capabilities, our global network will become increasingly complex and challenging to operate, as the scale, diversity and geographic coverage of our business, workforce and infrastructure continue to grow. To effectively manage our continued expansion, we will need to continue to improve our personnel management, operational and financial systems, policies, procedures and control measures, among others, which could be particularly challenging as we integrate new businesses with different and incompatible systems in new industries or geographic areas. These efforts will require significant managerial, financial and human resources. There can be no assurance that we will be able to effectively manage our growth or to implement all these systems, policies, procedures and control measures successfully. If we are not able to manage our growth effectively, our business and prospects may be materially and adversely affected.

Even if we manage the expansion of our global network successfully, it may not give us the competitive advantage that we expect if similar logistics services become widely available at competitive prices to our existing and potential customers. We may not be able to realize returns on our investments, or the returns may be lower, or may be realized more slowly, than we expected. Meanwhile, the order volume in less developed areas may not be sufficient to allow us to control a warehouse and delivery network in a cost efficient manner, and our existing business model in these areas may not always be effective. In addition, for self-owned properties, the carrying value of the related assets may be subject to impairment. Furthermore, our continued expenditures on logistics infrastructure may put us at a competitive disadvantage against competitors who spend less on these assets but focus more on improving other aspects of their business that are less capital intensive.

We work with a variety of logistics partners, suppliers and other service providers in providing certain standard logistics products and services, such as air freight, and to support various aspects of our business operations. Failure to maintain positive relationships with them, or failure of our logistics partners, suppliers or other service providers in providing reliable or satisfactory products and services, could have a material adverse effect on our business, financial condition and results of operations.

We leverage our logistics partners' capabilities in providing certain standard products and services, such as line-haul transportation through air, ocean, rail and trucking, and economy express delivery. Furthermore, we engage other types of suppliers and service providers, such as IoT device manufacturers and third-party payment processors, to support various aspects of our product development and business operations.

We are the world's No. 1 cross-border e-commerce logistics company in terms of parcel volume in 2022, according to CIC. It may be difficult to find reliable logistics partners, suppliers or other service providers whose performance and reliability meet our standards at

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the scale our operations require, which may restrict our ability to further expand our network. Our ability to secure sufficient high-quality resources, such as line-haul transportation and delivery services, to meet our customer needs at competitive prices is subject to inherent risks, many of which are beyond our control, such as labor shortages or disputes, network congestion, inclement weather, severe and unanticipated natural events, acts of terrorism as well as unfavorable regulatory changes.

Products and services provided by our logistics partners, suppliers or other service providers may be disrupted or discontinued for a variety of reasons, such as financial hardship, operational disruptions, labor or material shortages and regulatory and compliance issues, including being sanctioned by any relevant government authority around the world. We may be unable to find suitable alternative third parties in a timely manner, on commercially reasonable terms or at all. For example, we engage qualified logistics partners to provide line-haul transportation and delivery services. Failure of our line-haul transportation and delivery service providers to provide reliable and cost-effective services may have a material and adverse impact on our delivery speed, service quality and cost structure, which would in turn affect our results of operations and future prospects. In addition, we engage online payment service companies to provide payment processing services to our customers and logistics partners. If the availability, quality, utility, convenience or attractiveness of online payment service companies' services and products declines or changes for commercial, regulatory, compliance or any other reason, our business and operations could be materially and adversely affected.

We may not be able to maintain positive relationships with, or effectively supervise our logistics partners, suppliers or other service providers, which may negatively affect the quality of our logistics services and result in additional exposures to legal risks and liabilities. For example, we cooperate with third parties in operating "pick-up, drop-off" stations and smart lockers. Such third parties have a significant amount of direct interactions with consumers and their performance is directly associated with our brand and reputation. On the other hand, as we manage relationships with these third parties with contractual agreements, we may not be able to supervise their performance as effectively as if we had full control over them. Although such third parties are required to go through mandatory training before starting operating "pick-up, drop-off" stations, there is no assurance that unsatisfactory performance or unlawful behavior will not occur. In such cases, as well as in cases of losses, stolen or damages of parcels, whether as a result of accidents or willful misbehaviors, we may experience consumer complaints, service disruptions and our reputation may be materially and adversely affected. We also may be subject to legal risks and liabilities, including administrative fines, if our logistics partners, suppliers or other service providers fail to obtain the requisite licenses and permits, are subject to legal complaints or otherwise fail to comply with laws and regulations.

In addition, we depend in part on logistics partners to report certain events to us, such as delivery information and cargo claims. This partial reliance on logistics partners could cause delays in reporting certain events, impacting our ability to recognize revenue and claims in a

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timely manner. In addition, we cannot assure you that we will be able to obtain access to preferred logistics partners at attractive rates or that these partners will have adequate capacity available to meet the needs of our customers.

Furthermore, we engage outsourcing firms who send large numbers of their employees to work at our logistics facilities. We enter into agreements with the outsourcing firms only and therefore do not have any direct contractual relationship with these outsourced personnel. Since these outsourced personnel are not directly employed by us, our control over them is more limited as compared to our own employees. If any outsourced personnel fails to operate or perform their duties in accordance with our protocols, policies and business guidelines, our market reputation, brand image and results of operations could be materially and adversely affected. Our agreements with the outsourcing firms provide that we are not liable to the outsourced personnel if the outsourcing firms fail to fulfill their duties to these personnel. However, if the outsourcing firms violate any relevant requirements under the applicable PRC labor laws, regulations or their employment agreements with the personnel, such personnel may claim compensation from us as they provide their services at our logistics facilities. As a result, we may incur legal or financial liabilities.

If we fail to effectively identify, engage and supervise qualified logistics partners, suppliers and other service providers, or if they are unable to provide products and services to our customers in a satisfactory manner and on commercially acceptable terms, or at all, our ability to attract and retain customers may be severely limited, which may have a material and adverse effect on our business, financial condition and results of operations.

Failure to maintain or improve our technology infrastructure could harm our business and prospects.

We have built a full technology stack to digitalize and automate various aspects of the logistics value chain. Our highly complex technology infrastructure, encompassing various systems, servers and databases, helps connect and integrate physical assets and capabilities with our virtual platform as well as logistics partners' systems to support our comprehensive suite of logistics services. We have self-developed many of our core suite of software applications, interfaces and systems. If we experience issues with the performance and reliability of such applications, interfaces or systems, or are unable to properly maintain them in order to address customers' business needs, our business, financial condition, results of operations and prospects, as well as our reputation and brand, could be materially and adversely affected. Furthermore, we have self-developed and widely applied hardware technologies throughout our logistics network, encompassing IoT and hardware devices, automation and unmanned delivery vehicles, among others. Any errors, defects or malfunctioning of such hardware products may disrupt our logistics operations, increase safety and security risks and result in poor customer experience, which would materially and adversely affect our business and reputation.

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In addition, our technology infrastructure and services incorporate third-party-developed software, systems and technologies, as well as hardware purchased or commissioned from third-party suppliers. As our technology infrastructure and services expand and become increasingly complex, we face increasing risks regarding the performance and security of our technology infrastructure and services that may be caused by these third-party-developed components, including risks relating to incompatibilities with existing technology components, service failures or delays or difficulties in integrating back-end procedures on hardware and software.

We are continuously upgrading our technology infrastructure that underpins our global logistics network, with increased scale, improved performance, additional capacity and additional built-in functionality, including functionality related to security. Adopting new products and services and maintaining and upgrading our technology infrastructure require significant investments of time and resources. Any failure to maintain and improve our technology infrastructure could result in unanticipated system disruptions, slower response times, impaired customer experience and delays in reporting accurate operating and financial information, among other consequences. The risks of these events occurring are even higher during certain periods of peak usage and activity, such as on or around the 11.11 Global Shopping Festival, or other promotional events or shopping seasons, when customer activity and the number of transactions are significantly higher through our logistics network and platform compared to other days of the year.

Any service disruptions experienced by our logistics facilities may adversely affect our operations.

We provide end-to-end logistics services in China and globally, encompassing a series of key steps throughout the logistics value chain. Any service disruptions along the process may lead to delivery delays, poor customer experience and increased costs, which may materially and adversely affect our business and results of operations.

In particular, our daily operations heavily rely on the orderly performance of our logistics facilities, such as e-Hubs, warehouses and sorting centers. Such logistics facilities may experience service disruptions due to various factors, such as failures in their automated equipment or IoT devices, under-capacity during peak parcel volume periods, force majeure events, sabotage, disputes between us and property owners, logistics partners or any third parties, employee delinquencies or strikes, governmental inspections of properties or governmental orders that mandate any service halt or shutdown, among others.

In the event of any service disruptions, our logistics services provided to our customers may be delayed, suspended or stopped. In such cases, parcels may need to be redirected to other nearby logistics facilities, and such rerouting of parcels will likely increase risks of delay and mishandling during delivery. At the same time, increased operational pressure on nearby logistics facilities may negatively impact their performance and cause other adverse effects

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across our network. We also may not be able to find suitable replacement logistics facilities that meet our requirements in a timely manner, or at all. Any of the foregoing events may result in significant operational interruptions and slowdowns, customer complaints and reputational damage.

The success of our logistics business depends on our ability to attract a wide array of customers and maintain a high level of customer satisfaction and stickiness, and any failure to do so would materially and adversely affect our business, financial condition, results of operations and prospects.

We offer reliable and differentiated logistics services to a wide array of customers, including merchants and brands, e-commerce platforms, consumers and logistics companies in China and globally. Maintaining and promoting customer satisfaction of, and loyalty to our products and services, logistics network and *Cainiao* brand is critical to our future growth. Many factors could undermine our ability to effectively attract new customers and maintain customer satisfaction and stickiness, including:

- failure to satisfy customer expectations of the reliability, efficiency, quality and cost-effectiveness of logistics solutions available through our global network;
- failure to maintain a robust customer service team that can effectively respond to customer inquiries and complaints;
- failure to maintain a reliable and effective technology infrastructure, such as errors, defects or malfunctions of our software and algorithms, as well as hardware such as automation equipment, IoT devices or electric unmanned delivery vehicles;
- failure in the effectiveness of our intelligent, data-driven logistics processes and systems, such as inventory planning and route optimization;
- inadequate protection of the security and integrity of the data on our platform, which integrates our and our logistics partners' information systems;
- negative publicity about us, our global network, our logistics partners, Alibaba Group, our investee companies, or the industries in which we operate;
- negative perceptions of the effectiveness and robustness of our risk management and compliance functions, such as logistics safety management;
- employee misconduct, illegal activities, rumors or false stories, or misconduct by our logistics partners, service providers or other counterparties; and
- failure to effectively manage or resolve customer complaints.

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If we do not successfully maintain a high level of customer satisfaction, we may not be able to attract new customers, retain existing customers or increase their use of our solutions and services, which may adversely and materially affect our business and results of operations. Meanwhile, if our promotional activities and marketing strategies do not work efficiently, we cannot cost-effectively attract new customers or maintain our selling and marketing expenses at a reasonable level.

If we are unable to compete effectively, our business, financial condition and results of operations would be materially and adversely affected.

We face direct and indirect competition, principally from global and China domestic providers of similar services, such as express delivery, supply chain, logistics technology and other related services for e-commerce. We compete based on a number of factors, including e-commerce insights, technology capabilities, global network coverage, innovation in business models, products and services and operating efficiency. In particular, we strive to innovate and differentiate our product and service offerings to strengthen our market positioning and competitiveness. However, we may not be able to successfully compete against current or future competitors, and such competitive pressures may have a material and adverse effect on our business, financial condition and results of operations.

Our current and potential competitors may have more service offerings, larger customer bases, broader network coverage, stronger brand recognition, greater capital resources and longer operating histories than we do. As a result, our competitors may be able to respond more quickly and effectively to new or evolving opportunities, technologies, standards or customer requirements than we do and may have the ability to initiate or withstand significant regulatory or industry changes. Our competitors may also establish collaborative relationships or strategic alliances to improve their ability to address the needs of customers. Furthermore, when we expand into new industries or geographic markets, we may face competition from new competitors who may also enter the industries or geographic markets where we currently operate or will operate.

Furthermore, the logistics industry is highly price competitive. Our competitors may reduce their prices to gain business, especially during times of slower market demand growth, and such reductions may limit our ability to maintain or increase our prices and operating margins or achieve growth of our business. Increased investments made and lower prices offered by our competitors may also require us to divert significant managerial, financial and human resources in order to remain competitive. We generally do not seek to compete based on price alone, but rather focus on innovating and differentiating our service and product offerings in order to fulfill unmet market demand. If we fail to do so effectively, our market share, profitability and results of operations may be materially and adversely affected. In addition, new services or products tend to have the effect of initially lowering our profit margins when launched. As these new services and products scale and ramp up, we expect margin improvements for these services and products. However, we cannot assure you that our new services and products that are of lower profit margins may achieve margin improvements at our expected timing or at our expected scale, or at all.

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In addition, our competition strategy is partially based on the assumption that the trend toward outsourcing of logistics services will continue. Third-party service providers like us are generally able to provide such services more efficiently than otherwise could be provided "in-house," primarily as a result of our advanced technology, global network, industry know-how and operational expertise. However, many factors could cause a reversal in the trend. For example, major e-commerce platforms may choose to establish or otherwise acquire their own in-house logistics capabilities or otherwise reduce their usage of third-party logistics services, which may significantly affect our market share and business growth.

We may not be able to maintain our culture, which has been a key to our success.

Since our founding, our culture has been defined by our mission, vision and values, and we believe that our culture has been critical to our success. In particular, our culture has helped us serve the long-term interests of our customers, attract, retain and motivate employees and create value for our Shareholders. We face a number of challenges that may affect our ability to sustain our corporate culture, including:

- failure to identify, attract, promote and retain people who share our culture, mission, vision and values in leadership positions;
- challenges of effectively incentivizing and motivating employees, including members of senior management, and in particular those who have gained a substantial amount of personal wealth related to share-based awards;
- the increasing size, complexity, geographic coverage and cultural diversity of our businesses and workforce;
- challenges in managing a workforce that is expanding through organic growth and acquisitions, in providing effective training to this workforce, and in promoting a culture of compliance with laws and regulations and preventing misconduct among our employees and participants in our logistics network;
- competitive pressures to move in directions that may divert us from our mission, vision and values;
- after the [REDACTED], the pressure from the public markets to focus on short-term results instead of long-term value creation.

If we are not able to maintain our culture or if our culture fails to deliver the long-term results we expect to achieve, our reputation, business, financial condition, results of operations and prospects could be materially and adversely affected.

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We recorded net losses in the past and we may not be able to maintain profitability in the future.

We have recorded net losses during the Track Record Period and we may not be able to maintain profitability in the future. We recorded net losses of RMB2,015 million, RMB2,286 million, RMB2,801 million and RMB370 million for fiscal years 2021, 2022 and 2023 and the three months ended June 30, 2022, respectively. While we recorded a net profit of RMB288 million for the three months ended June 30, 2023, we may not be able to maintain profitability in the future.

We may not be able to achieve revenue growth as expected. For example, our new logistics products and services may not effectively address customer needs, our investments in global network expansion may not generate sufficient returns and the demand for logistics services may decline due to the impact of weakened macroeconomic conditions on the e-commerce industry.

In addition, we may not be able to manage our costs and expenses effectively, or retain all benefits from cost reductions associated with market conditions. Many factors affecting our costs and expenses are beyond our control, such as the prices and availability of fuel, labor and services procured by us. For example, we recorded a period-over-period improvement in our gross profit margins from 10.6% for the three months ended June 30, 2022 to 13.7% for the three months ended June 30, 2023, primarily because the costs associated with global line-haul transportation have normalized since early 2023 and resulted in a significant reduction of our costs in the first quarter of fiscal year 2024, which exceeded the reductions in our prices to customers. As we share the benefits of the cost reductions with our customers, we expect our gross profit margins to normalize in the second half of fiscal year 2024. There can be no assurance that we will be able to effectively manage our costs and expenses and maintain our profit margins at a similar level, or achieve profitability at all, in the future. See “Financial Information — Impacts of the COVID-19 Pandemic and Geopolitical Conflicts.”

Furthermore, our expenditures in developing new businesses, launching new products and services, acquiring new customers or penetrating new markets may negatively affect our profitability in the near term. We expect our costs and expenses to increase in absolute amounts due to our investments in innovating new products and services, acquiring new customers in existing or new industries, expanding into new geographic markets, extending global logistics network coverage and capabilities, developing new or upgrading existing logistics technologies as well as exploring strategic partnerships, investments, and acquisitions, among others. Any of these efforts may incur significant expenditures, which may prevent us from, or prolong the time needed for achieving profitability. In addition, these efforts may be more costly than we expect and may not result in increased revenue or growth in our business as expected.

Furthermore, we face intense competition, which may exert downward pressure on our pricing and profit margins. Please see “— If we are unable to compete effectively, our business, financial condition and results of operations would be materially and adversely affected.”

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As a result of the above factors, we may not be able to maintain profitability or positive operating cash flow on a consistent basis or at all, which may impact our business growth and adversely affect our financial condition and results of operations.

Our historical results of operations and financial performance may not be indicative of future performance.

We experienced significant growth during the Track Record Period. Our total revenue increased by 27% from RMB52,733 million in fiscal year 2021 to RMB66,867 million in fiscal year 2022, and further increased by 16% to RMB77,800 million in fiscal year 2023. Our total revenue increased by 34% from RMB17,336 million in the three months ended June 30, 2022 to RMB23,164 million in the three months ended June 30, 2023. However, our historical results of operations and financial performance may not be indicative of future performance.

As we continue to innovate in response to evolving market environment and customer needs, we may make adjustments to our products and services, logistics network, technology infrastructure, operating models for certain businesses, among others. These changes may not achieve expected results and may have a material and adverse impact on our results of operations and financial condition. Our costs and expenses may grow faster than our revenue, and our costs and expenses may increase, or may be greater than we expected. We cannot assure you that we will be able to achieve similar results or grow at the same speed as we did in the past or at all. Rather than relying on our historical operating and financial results to evaluate us, you should consider our business prospects in light of the risks and difficulties we may encounter as an innovative, rapidly-growing logistics company seeking to enter new and emerging markets and industries, including our ability to:

- adapt to macroeconomic and other factors that affect logistics markets in the countries and regions where we operate;
- continue innovating in new products, services and business models;
- attract and retain customers;
- maintain and expand our logistics network and technology infrastructure; and
- improve operating efficiency.

We may not be able to successfully address these or other challenges, which could adversely impact our business, results of operations and financial condition. Materialization of any risk factors described in this “Risk Factors” section can also negatively affect our ability to operate and grow our existing businesses.

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Our results of operations fluctuate significantly from quarter to quarter, which may make it difficult to predict our future performance.

Our results of operations generally are characterized by seasonal fluctuations due to various reasons, including seasonal buying patterns and economic cyclical changes. Historically, the fourth quarter of each calendar year generally contributes the largest portion of our annual revenues due to a number of factors, such as the 11.11 Global Shopping Festival sales and the overseas holiday sales, and the impact of seasonal buying patterns in respect of certain categories such as apparel. The first quarter of each calendar year generally contributes the smallest portion of our annual revenues, primarily due to the Chinese New Year holiday, during which time consumers generally spend less and businesses in China are generally closed. Our revenue in the second quarter of each calendar year generally improves from the first quarter due to increases in e-commerce activities, followed by relatively lower revenue in the third quarter. Moreover, our margins and profits also exhibit patterns of seasonality due to fluctuations in order volumes and business activities throughout the year. We historically recorded lower profit margins in the first quarter of a calendar year due to low utilization of resources as a result of lower order volumes during the Chinese New Year holiday.

The performance of our equity method investees may also result in fluctuations in our results of operations. In addition, fluctuations in our results of operations related to our investments may also result from fair values changes of certain equity investments and financial instruments, particularly those that are publicly traded, as well as accounting implications arising from loss of control of subsidiaries. Fluctuations in fair value and the magnitude of the related accounting impact are unpredictable, and may significantly affect our results of operations.

Our results of operations will likely fluctuate due to these and other factors, some of which are beyond our control. In addition, our growth in the past may have masked the seasonality that might otherwise be apparent in our results of operations. As the rate of growth of our business declines in comparison to prior periods, we expect that the seasonality in our business may become more pronounced. Moreover, as our business grows, our fixed costs and expenses may continue to increase, which will result in operating leverage in seasonally strong quarters but can significantly pressure operating margins in seasonally weak quarters.

After the [REDACTED], to the extent our results of operations do not meet the expectations of [REDACTED] analysts and [REDACTED] in the future, or if there are significant fluctuations in our financial results, the [REDACTED] of our Shares could fluctuate significantly.

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Our long-term profitability and competitiveness are highly dependent on our ability to control costs.

As a global logistics business, our cost of revenue primarily consists of fulfillment costs (mainly for line-haul, delivery and in-warehouse processing and other services procured and managed by us) and labor costs. If we are unable to effectively control our costs by securing sufficient labor, transportation, facility and other resources at competitive prices, our business, results of operations and profitability may be materially and adversely affected.

Effective cost-control measures have a direct impact on our financial condition and results of operations. We have adopted various measures, and will continue to add new ones as necessary and appropriate. For example, we use smart algorithms to select cost-efficient routes and deploy automation technologies to improve operating efficiency, while leveraging our economies of scale and bargaining power to lower procurement costs. However, the measures we have adopted or will adopt in the future may not be as effective as expected in improving our financial condition and results of operations. If we are not able to effectively control our cost and adjust the level of our product or service pricing based on costs and market conditions, our business, financial condition and results of operations may be materially and adversely affected.

In addition, changes in certain of our operating costs are beyond our control. For example, in the first half of 2022, the Russia-Ukraine conflict restricted the availability of cross-border line-haul routes between China and certain international destinations, such as Europe, which resulted in higher cross-border line-haul transportation costs. Market conditions for cross-border logistics have gradually recovered from the negative impacts of the geopolitical conflicts and the COVID-19 pandemic. The costs associated with global line-haul transportation have normalized since early 2023 and resulted in a significant reduction of our costs and a corresponding improvement in our gross profit margin in the first quarter of fiscal year 2024. However, our operating costs may continue to be affected by external factors, and if we cannot undertake effective measures to mitigate the impact of such factors, our business and results of operations may be materially and adversely affected. See “Financial Information — Impacts of the COVID-19 Pandemic and Geopolitical Conflicts,” “— Fluctuations in the price or availability of fuel, may adversely affect our results of operations” and “— Overall tightening of the labor market, increases in labor costs or any labor unrest, including strikes, may affect our business as we operate in a labor-intensive industry.”

Moreover, we depend on reliable access to third parties to provide certain services that we procure and manage, such as line-haul transportation and economy express delivery. Any significant reduction in the availability of, or increase in the costs associated with, third-party products or services could adversely affect our operations and increase our costs, which could adversely affect our operating results and cash flows.

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As we expand to new geographic markets, our cost structures may be affected by local conditions, such as fluctuations in prevailing wage levels, foreign exchange rates and local regulatory requirements. We may not be able to effectively adapt to local conditions or obtain local resources at competitive costs.

Changes in international trade or investment policies and barriers to trade or investment, and any ongoing geopolitical conflict, may have an adverse effect on our business and expansion plans, and could lead to restrictions or prohibitions on investing in our securities.

In recent years, international market conditions and the international regulatory environment have been increasingly affected by competition among countries and geopolitical frictions. In particular, the U.S. government has advocated for and taken steps towards restricting trade in certain goods, particularly from China. The progress of trade talks between China and the United States is subject to uncertainties, and there can be no assurance as to whether the United States will maintain or reduce tariffs, or impose additional tariffs or other restrictions and regulatory requirements on Chinese products and services in the near future. Changes to national trade or investment policies, treaties and tariffs, fluctuations in exchange rates or the perception that these changes could occur, and could adversely affect the financial and economic conditions in the jurisdictions in which we operate, as well as our international and cross-border operations, our financial condition and results of operations.

In addition, the United States is considering ways to limit U.S. investment portfolio flows into China. For example, in May 2020, under pressure from U.S. administration officials, the independent Federal Retirement Thrift Investment Board suspended its implementation of plans to change the benchmark of one of its retirement asset funds to an international index that includes companies in emerging markets, including China. China-based companies, including us and our related entities, may become subject to executive orders or other regulatory actions that may, among other things, prohibit U.S. investors from investing in these companies. As a result, U.S. and certain other persons may be prohibited from [REDACTED] in the securities of our Company or our related entities. Geopolitical tensions between China and the United States may intensify and the United States may adopt even more drastic measures in the future.

The jurisdictions where we operate have retaliated and may further retaliate in response to new trade policies, treaties and tariffs implemented by the United States. For instance, in response to the tariffs announced by the United States, in 2018 and 2019, China announced it would stop buying U.S. agricultural products and imposed tariffs on over US\$185 billion worth of U.S. goods. Although China subsequently granted tariff exemptions for certain U.S. products as a result of trade talks and the phase one trade deal agreed with the United States, there may be further changes to China's tariff policy. Any further actions to increase existing tariffs or impose additional tariffs could result in an escalation of the trade conflict, which would have an adverse effect on manufacturing, trade and a wide range of industries that rely on trade, including logistics, retail sales and other businesses and services, which could adversely affect our business operations and financial results. Failure to comply with export/import procedures and tariff requirement may subject us to fines, result in delay of our delivery services and materially and adversely affect our reputation and results of operations.

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Additionally, China has issued regulations to give itself the ability to nullify the effects of certain foreign restrictions that are unjustified to Chinese individuals and entities. The Rules on Counteracting Unjustified Extra-Territorial Application of Foreign Legislation and Other Measures promulgated by the MOFCOM on January 9, 2021, provide that, among other things, Chinese individuals or entities are required to report to the MOFCOM within 30 days if they are prohibited or restricted from engaging in normal business activities with third-party countries or their nationals or entities due to non-Chinese laws or measures; and the MOFCOM, following the decision of the relevant Chinese authorities, may issue prohibition orders contravening such non-Chinese laws or measures. Furthermore, on June 10, 2021, the Standing Committee of the National People's Congress of China promulgated the Anti-Foreign Sanctions Law. The Anti-foreign Sanctions Law prohibits any organization or individual from implementing or providing assistance in implementation of discriminatory restrictive measures taken by any foreign state against the citizens or organizations of China. In addition, all organizations and individuals in China are required to implement the retaliatory measures taken by relevant departments of the State Council of the PRC.

Since the aforesaid laws and rules are constantly evolving, it remains to be clarified as to how such regulations will be interpreted and implemented and how they would affect our business or results of operations.

Changes in laws and policy could negatively affect, for example, both export- and import-focused businesses in the jurisdictions where we operate. Conflicting regulatory requirements could also increase our compliance costs and subject us to regulatory scrutiny. Any further escalation in geopolitical tensions or a trade war, or news and rumors of any escalation, could affect activity levels within our logistics network and have a material and adverse effect on our business and results of operations, and/or the [REDACTED] of our Shares. Any restrictions imposed by the United States or other countries on capital flows into China or China-based companies may prevent potential [REDACTED] from [REDACTED] in us, and the [REDACTED] and liquidity of our Shares may suffer as a result.

The Russia-Ukraine conflict has resulted in significant disruptions to supply chains, logistics and business activities globally, negatively impacting our parcel volume and increasing our operating costs. The conflict has also caused, and continues to intensify, significant geopolitical tensions in Europe and across the globe. The resulting sanctions imposed are expected to have significant impacts on the economic conditions of the countries and markets targeted by such sanctions, and may have unforeseen, unpredictable secondary effects on global energy prices, supply chains and other aspects of the global economy, which increases logistics costs and negatively affects our business operations.

Fluctuations in exchange rates could result in foreign currency exchange losses to us.

We operate in multiple jurisdictions, which exposes us to the effects of fluctuations in currency exchange rates. While a substantial portion of our revenues are denominated in Renminbi, we incur certain costs, such as for line-haul transportation and overseas local delivery services, which are denominated in U.S. dollars and other currencies. Furthermore, the

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functional currency of us and the majority of our overseas subsidiaries is U.S. dollars whereas the functional currency of our PRC subsidiaries is Renminbi. As a result, our financial information as expressed in Renminbi may be significantly affected by fluctuations in foreign exchange rates, particularly between Renminbi and U.S. dollars, and figures may be substantially higher or lower than would be the case if exchange rates were to be stable. The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in economic conditions and the foreign exchange policy adopted by government authorities. It is difficult to predict how market forces or government policies, including any interest rate increases by the financial authorities, may impact the exchange rate between the Renminbi and the U.S. dollar in the future.

As of March 31, 2021, 2022 and 2023 and June 30, 2023, we had RMB10,878 million, RMB3,222 million, RMB8,496 million and RMB7,297 million, respectively, in cash and cash equivalents and term deposits denominated in U.S. dollars and other foreign currencies. Any significant fluctuations in the value of the Renminbi may materially and adversely affect our liquidity and cash flows. For example, to the extent that we need to convert U.S. dollars we receive into Renminbi to pay our operating expenses, appreciation of Renminbi against the U.S. dollars would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, a significant depreciation of Renminbi against the U.S. dollars may significantly reduce the U.S. dollar equivalent of our earnings, which in turn could adversely affect the price of our Shares. In addition, the revenues and costs of certain of our international businesses are denominated in local currencies. Fluctuations in exchange rates of these currencies against our reporting currency Renminbi may have a material adverse effect on our financial condition and results of operations. We do not enter into hedging activities with regard to our exchange rate risk.

China-related export or import controls, economic sanctions and restrictions in relation to trade and technology could negatively and materially affect our competitiveness and business operations as well as the [REDACTED] of our Shares.

A number of countries and jurisdictions, including China, the United States, the United Kingdom, and the EU, have adopted various export or import controls and economic or trade sanction regimes that impact our business operation. In particular, the U.S. government and other governments have threatened and/or imposed export and import controls, as well as economic and trade sanctions on a number of China-based companies. It is possible that the United States or other jurisdictions may impose further export controls, sanctions, trade embargoes, and other heightened regulatory requirements on China and China-based companies in a wide range of areas. These regulatory requirements could (i) prohibit or restrict firms from selling, exporting, re-exporting or transferring certain goods, components, technology, software and other items to China-based companies, (ii) prohibit or restrict persons from entering into transactions with China-based companies, (iii) prohibit or restrict China-based companies from accessing data, providing services in or operating in sanctioned jurisdictions, (iv) prohibit purchases and sales of securities of Chinese firms, among other prohibitions or restrictions, or (v) prohibit or restrict the imports of products into U.S. and other countries that were made by China-based companies. In October 2022, the U.S.

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Department of Commerce's Bureau of Industry and Security released broad changes in export control regulations, including new regulations restricting the export to China of advanced semiconductors, supercomputer technology, equipment for the manufacturing of advanced semiconductors, and components and technology for the manufacturing in China of certain semiconductor manufacturing equipment. In addition, Chinese companies, if targeted under U.S. economic sanctions, may lose access to the U.S. markets and the U.S. financial system, including the ability to use U.S. dollars to conduct transactions, settle payments or to maintain correspondent accounts with U.S. financial institutions. U.S. entities and individuals may not be permitted to do business with sanctioned companies and persons, and international banks and other companies may as a matter of law and/or policy decide not to engage in transactions with such companies.

These restrictions or sanctions, and similar or more expansive restrictions or sanctions that may be imposed by the United States or other jurisdictions in the future, whether directed against us, our affiliates or our business partners, may materially and adversely affect our and our logistics partners' abilities to acquire technologies, systems, devices or components that may be critical to our technology infrastructure, service offerings and business operations. As a result of heightened restrictions, we and our logistics partners may be forced to develop equivalent technologies or components, or obtain equivalent technologies or components from non-U.S. sources. We and they may not be able to do so in a timely manner and on commercially favorable or acceptable terms, or at all. These restrictions, sanctions, or other prohibitions could negatively affect our and our logistics partners' abilities to recruit research and development talent or conduct technological collaboration with scientists and research institutes in the United States, Europe or other jurisdictions, which could significantly harm our competitiveness, as well as increase our compliance costs and risks. These restrictions, sanctions, or other prohibitions could also restrict our ability to operate in the United States or other jurisdictions. For example, U.S. entities and individuals with whom we have existing contractual or other relationships may be prohibited from continuing to do business with us, including performing their obligations under agreements involving our supply chain, logistics, software development, and other products and services. In addition, our Shareholders may be required or forced to divest, which could result in significant loss to them.

In August 2020, the MOFCOM and the Ministry of Science and Technology of the PRC issued a notice which stipulates that certain technologies, including technologies related to personalized information push services based on data analysis, are restricted from export outside the PRC without approval. Some of our technologies could fall within the scope of technologies subject to such export restriction. In addition, according to the PRC Export Control Law which came into effect in December 2020, we, our affiliates and business partners may also be required to obtain licenses, permits and governmental approvals to export certain goods, technologies and services. These and additional regulatory requirements that may become effective from time to time may increase our compliance burden and affect our ability and efficiency in expanding to international markets.

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Our business and results of operations as well as the [REDACTED] of our Shares may be materially and negatively affected by current or future export or import controls or economic and trade sanctions or developments. Export or import control and economic sanctions laws and regulations are complex and likely subject to frequent changes, and the interpretation and enforcement of the relevant regulations shall be determined in accordance with the then-effective applicable laws, which may be driven by factors that are out of our control or heightened by national security concerns. The changing factors relating to potential actions and their timing and scope, as well as market rumors or speculation on potential actions, could also negatively and materially affect the [REDACTED] of our Shares.

Overall tightening of the labor market, increases in labor costs or any labor unrest, including strikes, may affect our business as we operate in a labor-intensive industry.

Our business requires a substantial number of personnel. Our labor costs, consisting of both employee benefits expenses and outsourced labor costs, accounted for 17%, 20%, 20% and 21% of our total operating expenses and cost of revenue in the fiscal years 2021, 2022 and 2023 and three months ended June 30, 2023, respectively. Any failure to retain stable and dedicated labor by us may lead to disruptions to or delays in our services. We also hire additional or temporary workers, in particular logistics and delivery personnel, during peak periods of e-commerce activities.

We have observed an overall tightening labor market. We have experienced, and expect to continue to experience, increases in labor costs due to increases in salaries, social benefits and employee headcounts and we may also face seasonal labor shortages. We may compete with other companies for labor, and we may not be able to offer competitive salaries and benefits compared to what other companies do. If we are unable to secure sufficient labor resources at reasonable costs, our business and results of operations may be materially and adversely affected.

Our business and technologies collect and process a large amount of data, including personal data, and the improper use or disclosure of data could result in regulatory investigations and penalties, and harm our reputation and have a material adverse effect on the [REDACTED] of our Shares, our business and prospects.

Our business and technologies collect and process a large quantity of personal and transactional data. For example, the e-waybills generated by us may contain the names, addresses, phone numbers and other contact information of the senders and recipients of orders placed and delivered through our logistics network. Our privacy policies concerning the collection, use and transmission of personal data are posted on our platforms. We face risks inherent in handling and protecting large volumes of data, especially consumer data. In particular, we face a number of challenges relating to data from transactions and other activities during our business operation, including:

- protecting the data in and hosted on our system, including against attacks on our system by external parties or misbehavior by our employees;

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- addressing concerns, challenges, negative publicity and litigation related to data privacy, collection, use and actual or perceived sharing for promotional and other purposes (including cooperation and sharing among our own businesses, cooperation with business partners or mandatory disclosure to regulators), including challenges posed by new forms of data (for example, biometric data, location information and other demographic information); and
- complying with applicable laws, rules and regulations relating to the collection (from customers and other third-party systems or sources), use, storage, transmission and security of personal data, including requests from data subjects and regulatory and government authorities.

These challenges are heightened as we expand our business into jurisdictions with different legal and regulatory regimes, such as those in the European Union and the United States. If our customer data is improperly used or disclosed by any party, or if we were to be found in violation of any data-related laws, rules or regulations, including those relating to collection and use of customer data, it could result in a loss of customers, logistics partners and other participants from our logistics network, suspension of service or blockage of access to mobile app services, loss of confidence or trust in our platforms, litigation, regulatory investigations, significant amounts of penalties or actions against us, significant damage to our reputation or even criminal liabilities, and have a material adverse effect on our business and prospects.

As permitted by our privacy policies and user agreements, we grant expressly limited access to specified data to certain participants in our logistics network that provide services to our customers. Any actual or perceived improper use of data by us or them, and any systems failure or security breach or lapse on our or their part that results in the release of customer data could harm our reputation and brand and, consequently, our business, in addition to exposing us to potential legal liability or regulatory actions. This could also attract negative publicity from media outlets, privacy advocates, our competitors or others and could adversely affect our business and prospects.

Security breaches and attacks against our systems and network, and any potentially resulting breach or failure to otherwise protect personal, confidential and proprietary information, could damage our reputation and negatively impact our business, as well as materially and adversely affect our financial condition and results of operations.

We collect, process and use data, some of which contain personal information, such as names, addresses and phone numbers, which may make us a target for cybersecurity attacks. Our cybersecurity measures may not detect, prevent or control all attempts to compromise our systems or risks to our systems, including distributed denial-of-service attacks, viruses, Trojan horses, malicious software, break-ins, phishing attacks, third-party manipulation, security breaches, employee misconduct or negligence or other attacks, risks, data leakage and similar disruptions that may jeopardize the security of data stored in and transmitted by our systems or that we otherwise maintain. Moreover, if we fail to implement adequate encryption of data

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transmitted through the networks of the telecommunications and Internet operators we rely upon, there is a risk that telecommunications and Internet operators or their business partners may misappropriate our data. Cyber-attacks may target us, our customers, third-party service providers or other participants in our logistics network, or the communication infrastructure on which we depend. Breaches or failures of our, our customers' or our third-party service providers' cybersecurity measures could result in unauthorized access to our systems, misappropriation of information or data, deletion or modification of customer information, or denial-of-service or other interruptions to our business operations. If the security of domain names is compromised, we will be unable to use the domain names in our business operations.

We may not have the resources or technical sophistication to anticipate or prevent rapidly evolving cyber-attacks. As techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us, there can be no assurance that we will be able to anticipate, or implement adequate measures to protect against, these attacks. We could also be subject to an attack, breach or leakage, which we do not discover at the time or the consequences of which are not apparent until a later point in time. We do not carry cybersecurity insurance, and actual or anticipated attacks and risks may cause us to incur significantly higher costs, including costs to deploy additional personnel and network protection technologies, train employees, and engage third-party experts and consultants.

Cyber-attacks and privacy or security breaches, whether or not related to our systems or attributable to us, could subject us to negative publicity, regulatory investigations and significant legal and financial liability, harm our reputation and result in substantial revenue loss from lost sales and customer dissatisfaction, materially decrease our revenue and net income, and negatively affect the [REDACTED] of our Shares.

We are subject to a broad range of laws and regulations, and future laws and regulations may impose additional requirements and other obligations that could materially and adversely affect our business, financial condition and results of operations, as well as the [REDACTED] of our Shares.

As a result of our global operations, we and our logistics partners are subject to a broad range of laws, rules and regulations, which encompass road transportation, express delivery, parcel screening and compliance, safety management, postal services, export control, labor and employment, tax, environmental, personal information protection, privacy, cross-border data transfer compliance and algorithm compliance, consumer protection, customs clearance, value-added telecommunications, anti-monopoly and anti-unfair competition, among others. Non-compliance with applicable laws, regulations and policies may subject us to administrative proceedings, fines or other penalties, and materially and adversely impact our business, reputation, financial condition and results of operations.

The laws and regulations we are subject to may include requirements or restrictions relating to, among other things, the provision of certain regulated products or services through platforms, new and additional licenses, permits and approvals, renewals and amendments of

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licenses, or governance or ownership structures. Failure to obtain and maintain such required licenses or approvals may require us to adjust our business practices, increase our costs or subject us to fines, which may materially and adversely affect our business and the [REDACTED] of our Shares. See “— Any lack of or failure to maintain requisite approvals, licenses or permits applicable to our business operation may have a material and adverse impact on our business, financial condition and results of operations.”

We face scrutiny and have from time to time been subject, and are likely again in the future to be subject, to inquiries and investigations from governmental authorities in the jurisdictions where we operate. We may face inquiries and investigations in a wide range of areas, including postal services, occupational safety, fire safety, alleged third-party intellectual property infringement, cybersecurity and privacy laws, environmental laws, competition laws and regulations, securities laws and regulations, cross-border trade, tax, investment activities, human rights, and allegedly fraudulent or other criminal transactions.

As we further expand into more markets globally, we will also increasingly become subject to additional legal and regulatory compliance requirements as well as political and regulatory challenges, including scrutiny on data privacy and security and anti-money laundering compliance, on national security grounds or for other reasons, in foreign countries in which we conduct business or investment activities.

Governmental authorities in the jurisdictions where we operate are likely to continue to issue new laws, rules and regulations and enhance enforcement of existing laws, rules and regulations in these industries, and the perception that new laws and regulations will be implemented or that more stringent enforcement may be put in place may further negatively impact the [REDACTED] of our Shares. Any failure, or perceived failure, by us to comply with such local laws and regulations could result in reputational damages, regulatory investigations, sanctions or court proceedings and subject us to legal liabilities, including criminal liabilities. As we continue to grow in scale and significance, we expect to face increased scrutiny, which will, at a minimum, result in our having to continue to increase our investment in compliance and related capabilities and systems, which could adversely affect our business, financial condition and results of operations.

We face risks relating to acquisitions, investments and alliances.

We have acquired and invested in a range of businesses, including those in different countries and regions, services and products in recent years. We have also made investments of varying sizes in joint ventures. From time to time, we may have pending investments and acquisitions that are subject to closing conditions and risks of failure to close. As we continue to invest in our global network, we expect to continue to evaluate and consider an array of potential strategic transactions as part of our overall business strategy, including business combinations, acquisitions and dispositions of businesses, technologies, services, products and other assets, as well as strategic investments, joint ventures and alliances. At any given time we may be engaged in discussing or negotiating a range of these types of transactions. These transactions involve significant challenges and risks, including:

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- difficulties in, and significant and unanticipated additional costs and expenses resulting from, integrating into our business the large number of personnel, operations, products, services, technology, internal controls and financial reporting of the businesses we acquire;
- disruption of our ongoing business, distraction of and significant time and attention required from our management and employees and increases in our expenses;
- departure of skilled professionals and proven management teams of acquired businesses, as well as the loss of established client relationships of those businesses we invest in or acquire;
- for investments over which we may not obtain management and operational control, we may lack influence over the controlling partners or shareholders, or may not have aligned interests with those of our partners or other shareholders;
- additional or conflicting regulatory requirements, heightened restrictions on and scrutiny of investments, acquisitions and foreign ownership in other jurisdictions, on national security grounds or for other reasons, regulatory requirements (such as filings and approvals under the anti-monopoly and competition laws, rules and regulations, and review of investments and acquisitions of large Internet platforms under certain policies), the risk that acquisitions or investments may fail to close, due to regulatory challenges, as well as related compliance and publicity risks;
- actual or alleged misconduct, unscrupulous business practices or non-compliance by us or any company we acquire or invest in or by its affiliates or current or former employees, whether before, during or after our acquisition or investments;
- difficulties in identifying and selecting appropriate targets and strategic partners, including potential loss of opportunities for strategic transactions with competitors of our investee companies and strategic partners;
- difficulties in conducting sufficient and effective due diligence on potential targets and unforeseen or hidden liabilities or additional incidences of non-compliance, operating losses, costs and expenses that may adversely affect us following our acquisitions or investments or other strategic transactions;
- negative impact on our cash or results of operations from various fair value changes, impairment charges or write-offs; and
- losses arising from disposal of investments or deconsolidation of businesses.

These and other risks could lead to negative publicity, additional regulatory scrutiny, litigation, government inquiries, investigations, actions or penalties against us and the companies we invest in or acquire on the grounds of non-compliance with policy and

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regulatory requirements, or even against our other businesses, and may force us to incur significant additional expenses and allocate significant management and human resources to rectify or improve these companies' corporate governance standards, disclosure controls and procedures or internal controls and systems. Due to business or financial underperformance, regulatory scrutiny or compliance reasons, we may need to divest interests in, or terminate business cooperation with, businesses and entities in which we have invested capital and other resources. See also "— Risks Related to Doing Business in the People's Republic of China — Regulations regarding acquisitions impose significant regulatory approval and review requirements, which could make it more difficult for us to pursue growth through acquisitions and subject us to fines or other administrative penalties." As a result, we may experience significant difficulties and uncertainties carrying out investments and acquisitions, and our growth strategy and reputation may be materially and adversely affected.

In addition, our strategic investments and acquisitions may adversely affect our financial results, at least in the short term. For example, acquisitions of, and continued investments in loss-making businesses have contributed to our net losses, and may continue affecting our financial performance in the future. Acquired businesses that are loss-making may continue to sustain losses and may not become profitable in the near future or at all. The performance of our current and future equity method investees may also adversely affect our net income. There can be no assurance that we will be able to grow our acquired or invested businesses, or realize returns, benefits of synergies and growth opportunities we expect in connection with these investments and acquisitions.

We face risks associated with items delivered and contents of parcels and inventories handled through our global logistics network, and risks inherent in the logistics industry, including personal injury, product damage as well as warehousing and transportation-related incidents.

We handle a large volume of parcels and inventories across our logistics network for our express delivery and supply chain services. Accordingly, we face challenges with respect to the protection and examination of these parcels and inventories. For example, parcels in our network may be delayed, stolen, damaged or lost during delivery for various reasons, and we may be perceived or found liable for such incidents. In addition, we may fail to screen parcels and inventories and detect unsafe or prohibited/restricted items. Unsafe items and contraband, such as flammables and explosives, toxic or corrosive items and radioactive materials, may damage other parcels or inventories in our network, harm the personnel and assets of us, or even injure the recipients and may expose us to environmental risks. Furthermore, if we fail to prevent prohibited or restricted items from entering into our network and if we participate in the storage, transportation and delivery of such items unknowingly, we may be subject to administrative or even criminal penalties, and if any personal injury or property damage is concurrently caused, we may be further liable for civil compensation. We may also face regulatory risks if we fail to detect items subject to export or import controls. See "— We may face regulatory investigations, fines, penalties or other actions as well as suffer reputational

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harm and the [REDACTED] of our Shares may decrease significantly due to business dealings by, or connections of our Company, our business partners and other participants in our logistics network with countries or persons subject to sanctions and export or import controls.”

The delivery of parcels involves inherent risks. We constantly have a large number of vehicles and personnel in transportation, and are therefore subject to risks associated with transportation safety, and the insurance maintained by us may not fully cover the liabilities caused by transportation related injuries or loss. From time to time, vehicles and personnel may be involved in transportation or other types of accidents, and the parcels carried by them may be lost or damaged. In addition, frictions or disputes may occasionally arise from the direct interactions between delivery personnel with consumers coming to pick up or send parcels. Personal injuries or property damages may arise if such incidents escalate.

Any of the foregoing could disrupt our services, cause us to incur substantial expenses and divert the time and attention of our management. We may face claims and incur significant liabilities if found liable or partially liable for any of injuries, damages or losses. Claims against us may exceed the amount of our insurance coverage, or may not be covered by insurance at all. Any uninsured or underinsured loss could harm our business and financial condition. Governmental authorities may also impose significant fines on us or require us to adopt costly preventive measures. Furthermore, if our services are perceived to be insecure or unsafe by our customers, our business volume may be significantly reduced, and our business, financial condition and results of operations may be materially and adversely affected.

We depend on key management as well as experienced and capable personnel generally, and any failure to attract, motivate and retain our staff could severely hinder our ability to maintain and grow our business.

Our future success is significantly dependent upon the continued service of our key executives and other key employees. If we lose the services of any member of management or key personnel, we may not be able to locate suitable or qualified replacements, and may incur additional expenses to recruit and train new staff. Retirements and successions in key personnel positions could result in disruptions, or perceived disruptions, in our operations and the execution of our strategy.

As our business develops and evolves, it may become difficult for us to continue to retain our employees. A number of our employees, including many members of management, may choose to pursue other opportunities outside of us. If we are unable to motivate or retain these employees, our business may be severely disrupted and our prospects could suffer.

The size and scope of our global logistics network also require us to hire and retain a wide range of capable and experienced personnel who can adapt to a dynamic, competitive and challenging business environment. We will need to continue to attract and retain experienced and capable personnel at all levels, including members of management, as we expand our business and operations. Our various incentive initiatives may not be sufficient to retain our management and employees. Competition for talent in our industry is intense, and the

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availability of suitable and qualified candidates in many jurisdictions we operate. Competition for these individuals could cause us to offer higher compensation and other benefits to attract and retain them. Even if we were to offer higher compensation and other benefits, there can be no assurance that these individuals will choose to join or continue to work for us. Any failure to attract or retain key management and personnel could severely disrupt our business and growth.

Any computer system and network interruptions, whether resulted from failures of Internet infrastructure or other reasons, could disrupt our logistics systems.

Our logistics systems depend on the efficient and uninterrupted operation of our computer and communications systems, which is in turn affected by the performance, reliability and security of the telecommunications and Internet infrastructure in countries and regions where we operate, among other factors. Any system interruptions and delays may prevent us from efficiently providing supply chain, express delivery, technology and other services to our customers.

Increasing logistics data and information across our operations also require additional network capacity and infrastructure to process. Customers expect our logistics system to make relevant data and services readily available online, and any disruptions or delays to the availability of data and services could affect the attractiveness and reputation of our logistics services. The failure of the telecommunications network operators to provide us with the requisite bandwidth could also interfere with the speed and availability of our websites and mobile apps. Any of such occurrences could delay or prevent our customers from accessing our website and mobile apps, and frequent interruptions could frustrate customers and discourage them from using our services, which could cause us to lose customers and harm our results of operations.

We and certain of our logistics partners have experienced, and may experience in the future, system interruptions and delays that render websites, mobile apps and services temporarily unavailable or slow to respond. Although we have prepared for contingencies through redundancy measures and disaster recovery plans, these preparations may not be sufficient. Despite any precautions we may take, the occurrence of a natural disaster, including the effects of climate change (such as drought, floods and increased storm severity), or other unanticipated problems at our or our logistics partners' facilities, including power outages, system failures, telecommunications delays or failures, construction accidents, break-ins to IT systems, computer viruses or human errors, could result in delays in or temporary outages of our platforms or services, loss of our, consumers' and customers' data and business interruptions for us and our customers. Any of these events could damage our reputation, significantly disrupt our operations and the operations of our customers and logistics partners and subject us to liability, heightened regulatory scrutiny and increased costs, which could materially and adversely affect our business, financial condition and results of operations.

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We face risks and challenges associated with our logistics technology solutions, including potential errors, defects or malfunctions of our technology products, and risks of not being able to complete logistics technology upgrade projects in a timely and satisfactory manner.

We develop and sell a wide range of hardware products, such as automation equipment, RFID readers and smart hardware devices, many of which are deployed as part of our technology solutions offered to customers. We face risks and challenges associated with such products, such as hardware defects that may lead to increased costs associated with product liability claims, exchanges or returns.

Furthermore, while we undertake rigorous quality control measures and select and source from qualified third-party suppliers, there can be no assurance that we will be able to detect and prevent all quality issues associated with our hardware products. Any error, defect, or malfunction of our hardware products, or substandard quality or performance, may undermine our market reputation, reduce our sales and market share or incur substantial costs associated with product liability claims. In particular, third parties subject to personal injury or property damage as a result of any product defects may bring claims or legal proceedings against us as the seller of the product. Although we would have legal recourse against the suppliers and contract manufacturers of such products under applicable laws, attempting to enforce our rights against these suppliers and contract manufacturers may be expensive, time-consuming and ultimately futile. Any of the foregoing may have a material adverse effect on our business, financial conditions and results of operations. During the Track Record Period and up to the Latest Practicable Date, we have not been subject to material product liability claims.

Furthermore, we undertake logistics technology upgrade projects to help customers, such as logistics companies and brands, digitalize and automate their various logistics operations. Successful completion of such projects requires effective planning, execution and coordination between us, our customers, and third-party suppliers and services providers, within defined periods of time and in accordance with stringent facility and equipment specifications and construction standards. Completion of such projects is subject to various factors beyond our control, such as materials, equipment or labor shortages, power failures, construction accidents or natural disasters. Even if we successfully complete such projects on time, there can be no assurance that our customers will be able to obtain the desired improvement in efficiency or cost reductions. If we are unable to complete such projects for customers in a timely and satisfactory manner, or to deliver superior technology upgrade that effectively improves efficiency and reduces costs, our reputation, business, results of operations or prospects may be materially and adversely affected.

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We are subject to the risks related to our logistics asset services, including inability to or delays in acquiring desirable land resources or obtaining requisite governmental permits, as well as failures to develop and maintain existing assets or control operating costs.

As we provide logistics asset services, including property leasing and operation and asset management in China and globally, we are subject to risks associated with such services. Some of the factors that may affect our business include:

- local market conditions, such as oversupply of logistics facility space, reduction in demand for logistics facility space and the rents that we can charge for a completed logistics facility, which may make a logistics facility unprofitable;
- significant liabilities associated with logistics facility assets, such as mortgage payments and property taxes, which are generally fixed and need to be paid even when market conditions reduce income from the assets;
- our ability to maintain, refurbish and redevelop existing assets;
- competition from other available logistics infrastructure;
- competition for land resources to develop new logistics real estate;
- our ability to maintain, and obtain insurance for, our assets;
- our ability to control variable operating costs;
- governmental regulations, including changes in zoning and usage, condemnation, redevelopment and tax laws, and changes in these laws;
- delays in obtaining or renewing governmental permits and authorizations, and changes to and liability under all applicable zoning, building, occupancy and other laws;
- difficulty in finding a buyer for any land parcel or logistics facilities that we seek to sell or divest, or achieving sales prices that allow us to recover our investment, resulting in additional impairment charges;
- construction costs (including labor cost) of a logistics facility may exceed the original estimates, or construction may not be completed on time, due to factors such as contract default, the effect of local weather conditions, the possibility of local or national strikes by construction-related labor, the effect of public health and safety issues, and the possibility of shortages in materials, building supplies or energy and fuel equipment, making the logistics facility less profitable than originally estimated or not profitable at all; or

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- changes in or abandonment of development opportunities, and the requirement to recognize an impairment charge for those investments.

Any of these factors could have a material adverse effect on our business, financial condition, results of operations and prospects.

Failure to deal effectively with fraudulent or illegal activities by our employees, logistics partners, suppliers or service providers would harm our business.

Illegal, fraudulent, corrupt or collusive activities or misconduct, whether actual or perceived, by our employees, representatives, agents, logistics partners, suppliers or service providers could subject us to liability or negative publicity, which could severely damage our brand and reputation. While we have established policies and procedures for identifying, detecting and preventing fraudulent and illegal conduct, we have in the past experienced employee misconduct, and there can be no assurance that our controls and policies will prevent fraud, corrupt or illegal activity or misconduct by our employees, representatives, agents, logistics partners, suppliers or service providers or that similar incidents will not occur in the future. As we expand our operations in China and other jurisdictions, in particular our businesses that provide services to governments and public institutions, we are subject to additional internal control and compliance requirements relating to corrupt and other illegal practices by our employees, representatives or agents, and we may also be held liable for such misconduct or other misconduct by our business partners and service providers. Alleged or actual failure to comply or ensure our employees, representatives, agents, logistics partners, suppliers and service providers to comply with these requirements could subject us to regulatory investigations and liabilities, which would materially and adversely affect our business operations, customer relationships, reputation and the [REDACTED] of our Shares.

We may need additional capital but may not be able to obtain it on favorable terms or at all.

We may require additional cash resources due to future growth and development of our business, including any investments or acquisitions we may decide to pursue, and for other general corporate purposes. If our cash resources are insufficient to satisfy our cash requirements, we may seek to issue additional equity or debt securities or obtain new or expand credit facilities.

Our ability to obtain external financing in the future is subject to a variety of factors. On January 5, 2023, the National Development and Reform Commission (the “NDRC”) promulgated the Administrative Measures for Examination and Registration of Medium and Long-term Foreign Debts of Enterprises (the “**Foreign Debts Measures**”), which became effective on February 10, 2023. According to the Foreign Debts Measures, PRC enterprises and overseas enterprises or branches controlled by them, including holding companies with a VIE structure like us, are required to complete application for registration of foreign debts with the NDRC prior to the borrowing of foreign debts with a term of over one year. See “Regulatory Overview — Regulation of Foreign Debts.” If we fail to complete such filing on a timely manner or at all, we may miss the best market windows for debt issuances or loan applications.

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In addition, according to the Overseas Listing Trial Measures, we have to complete filing procedures with the CSRC for any initial or follow-on equity offerings within three working days after conducting such offerings, and comply with relevant reporting requirements within three working days upon the occurrence of any specified circumstances provided under these measures. If we fail to complete such filing and reporting on a timely manner or at all, we may be subject to penalties, sanctions and fines imposed by the CSRC and relevant departments of the State Council of the PRC. See also “— Risks Related to Doing Business in the People’s Republic of China — The approval, filing or other requirements of the CSRC or other PRC regulatory authorities may be required under PRC law in connection with this [REDACTED] and any future issuance of securities overseas, and, if required, we cannot predict whether or for how long we or our subsidiaries will be able to obtain such approval or complete such filing.”

In addition, incurring indebtedness would subject us to increased debt service obligations and could result in operating and financial covenants that would restrict our operations. See also “— Failure to comply with the terms of our indebtedness or enforcement of our obligations as a guarantor of other parties’ indebtedness could have an adverse effect on our cash flow and liquidity.” Our ability to access international capital and lending markets may be restricted at a time when we would like, or need, to do so, especially during times of increased volatility and reduced liquidity in global financial markets and stock markets, including due to policy changes and regulatory restrictions, which could limit our ability to raise funds. There can be no assurance that financing will be available in a timely manner or in amounts or on terms acceptable to us, or at all. Any failure to raise needed funds on terms favorable to us, or at all, could severely restrict our liquidity as well as have a material adverse effect on our business, financial condition and results of operations. Moreover, any issuance of equity or equity-linked securities, including issuances of share-based awards under our equity incentive plans, could result in significant dilution to our existing shareholders.

Failure to comply with the terms of our indebtedness or enforcement of our obligations as a guarantor of other parties’ indebtedness could have an adverse effect on our cash flow and liquidity.

We had outstanding interest-bearing bank borrowings of RMB17,354 million as of June 30, 2023. Under the terms of our indebtedness and under any debt financing arrangement that we may enter into in the future, we are, and may be in the future, subject to covenants that could, among other things, restrict our business and operations. If we breach any of these covenants, our lenders under our credit facilities will be entitled to accelerate our debt obligations. Any default under our credit facilities could require that we repay these debts prior to maturity as well as limit our ability to obtain additional financing, which in turn may have a material adverse effect on our cash flow and liquidity.

Pursuant to certain debt agreements, we have created security interests over most of our self-owned properties in favor of our lenders, including some of the warehouses and sorting centers in our global logistics network. In addition, all of our projects under construction will be pledged after the completion and receipt of real property ownership certificates per relevant

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debt agreements. Such indebtedness could limit our ability to dispose the underlying properties or utilize the proceeds of such dispositions and, upon an event of default, allow the lenders thereunder to foreclose upon our properties pledged. In such cases, our ability to use these properties, as well as our business operations, liquidity and results of operations could be materially and adversely affected.

Changes and developments in government policies, and the interpretation and enforcement of applicable laws may materially and adversely affect our business, financial condition and results of operations.

Although we have operating subsidiaries located in various countries and regions, our operations in China currently contribute the majority of our revenue. Government policies and measures adopted by the governments in the jurisdictions where we operate, including China, may have material impacts on how we may conduct our business, and we may need to adjust our operations from time to time to comply with regulatory requirements, which could materially affect our business, financial condition and results of operations.

While the PRC economy has experienced significant growth in the past decades, growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth, and resort to various monetary, fiscal, and other policy tools to guide the economic activities of all enterprises in China, including us. Our financial condition and results of operations could be materially and adversely affected by various government policies and measures, including those affecting capital investments or changes in tax regulations that are applicable to us. Any prolonged slowdown in the countries and regions we operate or in the global economy could lead to a reduction in demand for our services and consequently have a material adverse effect on our businesses, financial condition and results of operations.

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

We offer line-haul transportation and delivery services as part of our logistics solutions, and fuel costs and tolls account for a portion of our costs. Our service providers purchase large quantities of fuel to meet the demand of vehicles and planes across our logistics network, and the price and availability of fuel are subject to regulatory, economic, and market factors that are outside of our control and can be highly volatile. In the event of significant fuel prices rise, our related costs may arise and our gross profits may decrease if we are unable to adopt any effective cost control measures or pass on the incremental costs to our customers.

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

Our business is subject to rigorous regulation, and we are required to hold a number of licenses, permits and filings in connection with our business operation, including, but not limited to, Courier Service Operation Permit (快遞業務經營許可證), Road Transportation Operation Permit (道路運輸經營許可證) and Value-Added Telecommunication License (增值電信業務經營許可證). Failure to satisfy these requirements may result in penalties to rectify, fines, or suspension of business for remediation. We hold all material licenses and permits described above for our current operations and are applying for certain permits and filings with the governmental authorities and modification of certain licenses and permits. For example, we are planning to apply for permits to operate in new geographic areas for our cross-border express delivery services. In addition, we may be required to make additional filings in connection with our value-added telecommunication services. However, we cannot assure you that we can complete such filings in a timely manner, or at all, due to complex procedural requirements and the expansion of our business. Failure to comply with these regulations mentioned above may result in requirements to rectify, fines, suspension of business for remediation or revocation of permit.

During the Track Record Period, we have not been subject to material penalties or other material disciplinary action from the relevant governmental authorities regarding the conducting of our business without the above-mentioned approvals, licenses, permits or filings. However, we cannot assure you that the relevant governmental authorities would not require us to obtain the approvals, certificates or permits, complete filings or take any other actions retrospectively in the future. If the relevant governmental authorities require us to obtain the approvals, licenses or permits, or to complete filings, we cannot assure you that we will be able to do so in a timely manner or at all.

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

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Our business is subject to complex and evolving domestic and international laws and regulations regarding privacy and data protection, which are subject to change and interpretation in accordance with the then-effective applicable laws. Complying with these laws and regulations increases our cost of operations and may require changes to our data and other business practices. Failure to comply with these laws and regulations could result in claims, regulatory investigations, litigation or penalties, or otherwise negatively affect our business.

Regulatory authorities in the jurisdictions where we operate have recently implemented, and may in the future continue to implement, further legislative and regulatory proposals concerning privacy and data protection, particularly relating to the protection of personal information, cybersecurity and cross-border data transmission.

PRC regulatory authorities have increasingly focused on personal data and privacy protection, and promulgated a number of laws and regulations, including the Personal Information Protection Law, that stipulate requirements and limitations on the collection, processing and handling of personal information. See “Regulatory Overview — Regulation of Data and Privacy Protection.” In the course of our business operations, we collect information of our customers and end consumers, including personal information. Therefore, we are required to comply with applicable laws and regulations relating to personal data and privacy protection. To ensure our compliance with these laws and regulations, we have established relevant protocols and mechanisms. For example, to get consent from consumers before collecting their personal information, we notify them the information collected and the purpose of collecting the information, explain to them what, how and why the information may be shared with third parties and also provide the privacy policy of the third parties with whom we share the information. These personal data protection procedures have increased our compliance and operating costs. The data privacy laws and regulations also impose penalties and liability on information processors for non-compliant information collection and processing activities, including correction, suspension or termination of their services, confiscation of illegal income, as well as significant fines of up to 5% of revenue and other penalties. PRC regulatory authorities have also put forward regular inspections and reporting on the compliance of mobile apps, mini-programs, software development kits and other applications. We believe that our business operations are compliant with the currently effective PRC laws relating to cybersecurity and personal data and privacy protection in all material respects. Nevertheless, the interpretation and implementation of these laws and regulations are evolving, and we may be required to continuously adjust and upgrade our applications. Failure to do so may subject us to fines, administrative proceedings or other penalties, and materially and adversely impact our business, reputation, financial condition and results of operations.

PRC regulatory authorities have also enhanced their regulation on algorithm recommendation services. According to the Administrative Provisions on Internet Information Service Algorithm Recommendation (《互聯網信息服務算推薦管理規定》) (“**Algorithm Recommendation Provisions**”), which came into effect on March 1, 2022, algorithm recommendation service providers shall clearly inform users of their provision of algorithm recommendation services, and make public the basic principles, purposes and main operating

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mechanisms of the algorithm recommendation services, and shall also ensure that users may conveniently terminate the algorithm recommendation services. Moreover, algorithm recommendation service providers selling goods or providing services to consumers shall protect consumers’ rights of fair trade, and are prohibited from carrying out illegal conduct such as unreasonable differentiated treatment based on consumers’ preferences, purchase behavior, or such other characteristics. In addition, the Administrative Provisions on Deep Synthesis of Internet Information Services (《互聯網信息服務深度合成管理規定》), which took effect in January 2023, impose obligations on providers, technology supporters and users of deep synthesis technology, including verification of user identity, implementing measures to protect data security and personal information, content moderation, labeling content generated using deep synthesis technology, and conducting security assessment and completing filings for provision of certain services. We use algorithmic recommendation and deep synthesis technology in our businesses. Accordingly, we need to comply with the Algorithm Recommendation Provisions, the Administrative Provisions on Deep Synthesis of Internet Information Services (《互聯網信息服務深度合成管理規定》) and other applicable laws and regulations governing algorithm recommendation services, and we may be subject to penalties and liability for non-compliance, which may include administrative liabilities, including warnings, public denouncement, fines, enforcement orders requiring us to correct, or suspending us from posting new information, suspension of business or even criminal liabilities. Complying with PRC regulations on algorithm recommendation services has increased our compliance costs, and could negatively affect user activities on our platforms.

Moreover, on July 10, 2023, the Cyberspace Administration of China (the “CAC”), together with other relevant authorities, released the Interim Measures on Administration of Generative AI Services (《生成式人工智能服務管理暫行辦法》), which came into effect on August 15, 2023 and impose compliance requirements on providers of generative AI services. According to the Interim Measures on Administration of Generative AI Services, individuals or organizations that provide generative AI services of texts, images, audios, videos and other content shall be responsible as the producers of such network information content to fulfill the obligations of network information security and as the personal information processors to protect any personal information involved. Certain providers of generative AI services shall also conduct security assessments and complete certain filings in accordance with the Algorithm Recommendation Provisions. Non-compliance with the Interim Measures on Administration of Generative AI services may subject generative AI services providers to penalties, including warning, public denouncement, rectification orders and suspension of the provision of relevant services. The interpretation and implementation of the Interim Measures on Administration of Generative AI Services may affect our business operations. We believe that our business operations are compliant with currently effective PRC laws relating to algorithm recommendation services in all material respects.

PRC regulatory authorities have also stepped up efforts in safeguarding cybersecurity. The PRC Cybersecurity Law (《中華人民共和國網絡安全法》) (the “**Cybersecurity Law**”), which generally governs the construction, operation, maintenance and use of networks in China, subjects network operators, including us, to various security protection-related obligations. In addition, the Cybersecurity Law provides that personal information and

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important data collected and generated by operators of critical information infrastructure in the course of their operations in the PRC should be stored in the PRC, and imposes heightened regulation and additional security obligations on operators of critical information infrastructure. See “Regulatory Overview — Regulation of Internet Security.” We believe that we are compliant with Cybersecurity Law, including requirements relating to security protection, user identity verification, cybersecurity emergency response planning and technical assistance, in all material respects. Failure to comply could subject us to fines, suspension of businesses, shutdown of websites and revocation of business licenses. As of the Latest Practicable Date, we have not been informed, approached or designated as a critical information infrastructure operator under the applicable PRC laws and regulations by any PRC governmental authorities.

PRC regulatory authorities have promulgated laws and regulations relating to cybersecurity review, including requirements that affect overseas listings by Chinese companies. According to the Revised Cybersecurity Review Measures, which became effective in February 2022, operators of critical information infrastructure who purchase network products and services and network platform operators who carry out data processing activities that affect or may affect national security shall be subject to cybersecurity review. In addition, any network platform operators with personal information of over one million users must apply for cybersecurity review before listing abroad. Relevant PRC regulatory authorities may also initiate cybersecurity review if they determine certain network products, services or data processing activities affect or may affect national security. See “Regulatory Overview — Regulation of Internet Security.” Moreover, in November 2021, the CAC promulgated the Draft Regulations on Network Data Security Management (the “**Draft Cyber Data Security Regulations**”) for public comments, which set forth different scenarios where data processors are required to apply for cybersecurity review, including, among others, foreign listing while processing over one million users’ personal information, Hong Kong listing that affects or may affect national security, and other data processing activities that affect or may affect national security. The Draft Cyber Data Security Regulations also require data policies and rules and any material amendments thereof of large Internet platforms with over 100 million daily active users be evaluated by a third-party organization designated by the CAC and approved by the respective local branch of the CAC and competent authorities for telecommunication. As of the Latest Practicable Date, this draft has not been formally adopted, and uncertainties exist with respect to whether and when such draft regulations will be enacted and its final content. See “Regulatory Overview — Regulation of Data and Privacy Protection.”

As of the Latest Practicable Date, we have not received any notice from the CAC of a cybersecurity review on us under the Revised Cybersecurity Review Measures. Based on the phone consultation on September 15, 2023 with the China Cybersecurity Review Technology and Certification Center, we were advised that the Company is not required to file an application for cybersecurity review under Article 7 of the Revised Cybersecurity Review Measures with respect to the [REDACTED]. However, given the scale of our business and the number of users on our platforms, we cannot exclude the possibility that we will trigger the cybersecurity review in the future. If we are subject to cybersecurity review, we may incur significant costs and face challenges, both in the review process and in making enhancements

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to our cybersecurity measures that may be required. If we are unable to manage these risks, we may be subject to penalties, including fines, suspension of business, prohibition against new user registration (even for a short period of time) and revocation of required licenses, and our reputation and results of operations could be materially and adversely affected. Moreover, if we are required to undergo cybersecurity review in connection with any future securities offerings, our ability to obtain additional capital may be negatively affected. See also “— We may need additional capital but may not be able to obtain it on favorable terms or at all.”

PRC regulatory authorities have also enhanced the supervision and regulation of cross-border data transmission. The Data Security Law which took effect in September 2021 prohibits entities and individuals in China from providing any foreign judicial or law enforcement authority with any data stored in China without approval from competent PRC authority, and sets forth the legal liabilities of entities and individuals found to be in violation of their data protection obligations, including rectification order, warning, fines, suspension of relevant business, and revocation of business permits or licenses. Moreover, the Measures for the Security Assessment of Cross-border Data Transmission promulgated by the CAC came into effect on September 1, 2022. According to these measures, data processors are subject to security assessments conducted by the CAC prior to any cross-border transfers of important data and personal information, if falling under any of the following circumstances: (i) where the data processor intends to provide important data overseas; (ii) where the critical information infrastructure operator and any data processor who has processed personal information of more than 1,000,000 individuals intend to provide personal information overseas; (iii) where any data processor who has provided personal information of 100,000 individuals or sensitive personal information of 10,000 individuals to overseas recipients accumulatively since January 1 of the last year intends to provide personal information overseas; and (iv) other circumstances where the security assessment of cross-border data transfer is required as prescribed by the CAC. See “Regulatory Overview — Regulation of Data and Privacy Protection.” Any cross-border data transfer activities conducted in violation of the Measures for the Security Assessment of Cross-border Data Transmission before the effectiveness of these measures are required to be rectified by the end of February 2023. We have implemented control procedures to comply with the new requirements. Complying with PRC laws and regulations relating to cross-border data transmission increases our compliance costs and could affect our ability to transfer data across borders. In August 2023, the Company has obtained the approval from the CAC for the security assessment on the cross-border transfer of personal information involved in the scenario applied by the Company.

In addition, regulators in the jurisdictions where we operate may implement measures to ensure government data access in certain circumstances. For example, according to the PRC Cybersecurity Law and relevant regulations, network operators, including us, are obligated to provide assistance and support in accordance with the law for public security and national security authorities to protect national security or assist with criminal investigations. Compliance with these laws and requirements could lead to significant damages to our reputation and proceedings and actions against us by regulators and private parties.

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As we further expand our operations into international markets, we will be subject to additional laws in other jurisdictions where we operate and where our customers and logistics partners are located. Such laws, rules and regulations of other jurisdictions may be more comprehensive, detailed and nuanced in their scope, and may impose requirements and penalties that conflict with, or are more stringent than, those in China. In addition, the laws, rules and regulations in the jurisdictions where we operate may restrict the transfer of data across jurisdictions, which could impose additional and substantial operational, administrative and compliance burdens on us, and may also restrict our business activities and expansion plans, as well as impede our data-driven business strategies. Complying with laws and regulations for an increasing number of jurisdictions could require significant resources and costs. Our use of cloud services will also increase the amount of data hosted on our platform, as well as the number of jurisdictions in which we have IT systems. This, as well as the increasing number of new legal requirements in various jurisdictions, such as those in Europe, North America and Southeast Asia, present increased challenges and risks in relation to policies and procedures relating to data collection, storage, transfer, disclosure, protection and privacy, and will impose significant penalties for non-compliance.

The General Data Protection Regulation (“**GDPR**”) came into effect in May 2018, repealing and replacing the European Union Data Protection Directive, and imposing revised data privacy and security requirements on companies in relation to the processing of personal data of the EU and the UK, data subjects. The GDPR, together with national legislation, regulations and guidelines of the European Union member states and the UK governing the processing of personal data, impose strict obligations with respect to, and restrictions on, the collection, use, retention, protection, disclosure, transfer and processing of personal data. The GDPR authorizes fines for certain violations of up to 4% of the total global annual turnover of the preceding financial year or 20 million Euro, whichever is greater. In addition, as of January 1, 2021, upon the expiry of transitional arrangements agreed to between the UK and the European Union, data processing in the UK is governed by a UK version of the GDPR (combining the GDPR and the UK Data Protection Act (2018)), exposing us to two parallel regimes, each of which potentially authorizes similar fines and other potentially divergent enforcement actions for certain violations. Any failure, or perceived failure, by us to comply with the above and other applicable regulatory requirements or privacy protection-related laws, rules and regulations could result in reputational damages or proceedings or actions against us by governmental entities, consumers or others. These proceedings or actions could subject us to significant penalties and negative publicity, require us to change our data and other business practices, increase our costs and severely disrupt our business, hinder our global expansion or negatively affect the **[REDACTED]** of our Shares.

While we believe we are compliant with such laws and regulations in all material respects, how these laws and regulations will be interpreted, implemented and enforced in practice will be determined by the then-effective applicable laws, especially since many of these laws and regulations only came into effect recently or have not come into effect yet, and we may still be subject to regulatory investigations, fines, suspension of businesses and revocation of licenses. In addition, future interpretation and implementation of these laws and regulations, or additional laws and regulations that may come into effect, may result in a

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significant increase in our compliance costs, force us to change our business practices, adversely affect our business performance as well as subject us to negative publicity, which could harm our reputation among customers and negatively affect the [REDACTED] of our Shares.

We may face regulatory investigations, fines, penalties or other actions as well as suffer reputational harm and the [REDACTED] of our Shares may decrease significantly due to business dealings by, or connections of our Company, our business partners and other participants in our logistics network with countries or persons subject to sanctions and export or import controls.

Because we operate globally, we may be subject to international economic sanctions, export or import controls as well as other trade restrictions imposed on countries, entities, or persons across jurisdictions. The U.S., the UK and the EU governments impose broad comprehensive economic and trade restrictions on dealings with certain countries and regions, including Crimea, certain regions in Ukraine affected by the Russia-Ukraine conflict, Cuba, Iran, North Korea and Syria (the "**Blocked Countries**"), and with numerous individuals and entities, including those designated on the Specially Designated Nationals and Blocked Persons List maintained by the U.S. Department of the Treasury's Office of Foreign Assets Control and other similar sanctions lists maintained by the EU and the UK (the "**Blocked Persons**"). These economic sanctions programs and export/import controls also impose varying degrees of restrictions on dealings with a number of other countries, such as Russia, Belarus, and Venezuela, as well as with other specific entities and persons, such as those on the Entity List maintained by the U.S. Department of Commerce's Bureau of Industry and Security. These sanctions programs and export/import controls evolve and expand frequently, including with respect to the Blocked Countries, Blocked Persons, and other countries and persons subject to sanctions or export/import controls. It is not, however, possible to predict with a reasonable degree of certainty how the regulatory environment concerning the U.S., the UK and the EU economic sanctions and export/import controls may develop. The United Nations and other countries also similarly impose economic and trade restrictions on entities and individuals across the globe. Recently, the Russia-Ukraine conflict has resulted in additional sanctions, export/import controls and other restrictions imposed on Russia, Belarus, and certain entities and individuals by the U.S., the EU, the UK, and other countries.

As a Cayman Islands company with the substantial majority of our subsidiaries and operations outside of the U.S., the UK and the EU, we are generally not required to comply with the U.S., the UK, and the EU sanctions to the same extent as U.S., UK or EU entities. However, for companies like us, their U.S., UK, and EU subsidiaries, employees who are U.S. persons or UK or EU nationals, activities in the U.S., the UK, or the EU, activities involving U.S.-origin goods, technology or services, and certain conduct or dealings involving Blocked Countries and Blocked Persons, among other activities, are subject to applicable sanctions requirements as well as export or import controls. We do not have employees or operations in any of the Blocked Countries. Any operations in Blocked Countries or other countries subject to sanctions, or business dealings with Blocked Persons may subject us to negative publicity, governmental investigations, reputational harm and other potential liability on us.

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Furthermore, if any of our expanding network of global business partners, investee companies, joint venture partners or other parties that have collaborative relationships with us or our affiliates were to become Blocked Persons or otherwise subject to or violate sanctions or export/import control restrictions, this might result in significant negative publicity, governmental investigations and reputational harm, potential liability on us, as well as losses from impairments or write-offs. Some of such companies and other parties, including some of our global business partners and investee companies, have become subject to sanctions, export/import control restrictions, or related governmental investigations. While we believe that the risks of us violating applicable sanctions and export/import controls are low, there is no assurance that our operations and reputation will not be impacted by sanctions and/or governmental actions imposed on these companies and partners. Some of our business partners and investee companies are subject to governmental inquiry or investigation into potential violations of sanctions or export/import control laws. We may be required to terminate our relationships with these partners, companies, or joint ventures under applicable sanctions and export/import control laws, or to discontinue certain of our operations in the future, which in turn may negatively affect our business and operation.

We have established a compliance program that aims to ensure our compliance with these economic and trade restrictions, as well as export or import control regimes. However, these laws and regulations are complex and subject to frequent change, including with respect to jurisdictional reach and the lists of countries, entities, individuals and technologies subject to sanctions, export/import controls, and other regulatory controls, and there is no assurance that our compliance program is sufficient. We may incur significant costs related to current, new or changing sanctions, embargoes, export or import controls programs or other restrictions and disclosure requirements. Any alleged or actual violation of these sanctions and export/import control laws by us or by our business partners may result in negative publicity, investigations, fines, fees, settlements, or other enforcement actions or penalties, which are difficult to predict. We also could face increased compliance costs and risks as we expand globally and into additional businesses, such as overseas local delivery services.

Certain institutional investors, including state and municipal governments in the United States and universities, as well as financial institutions, have proposed or adopted divestment or similar initiatives regarding investments in companies that do business with Blocked Countries, Blocked Persons, or other countries or persons subject to sanctions or export/import controls. Accordingly, as a result of activities in our logistics network or in connection with other business we operate that may involve customers based in the Blocked Countries, Blocked Persons, or other countries or persons subject to sanctions or export/import controls, certain investors may not wish to invest or may divest their investment in us, certain financial institutions may not wish to lend, extend credit or offer ordinary banking services to us, or seek early repayment of loans made to us, and certain financial institutions and other businesses with which we partner or may partner may seek to avoid business relationships with us. These divestment initiatives and terminations of business services may negatively impact our reputation, business and results of operations, and may materially and adversely affect the [REDACTED] of our Shares.

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We face certain risks relating to the real properties that we own, such as the failure to comply with zoning and usage requirements, which may adversely affect our business.

As of June 30, 2023, we owned certain properties in the PRC and, to a much lesser extent, in Indonesia and Vietnam, covering an aggregate gross floor area of approximately 10 million square meters. Such owned properties are primarily used as warehouses, sorting centers and offices. We are subject to a variety of real property-related laws and regulations in the jurisdictions where we operate, such as property ownership and land use rights certificates, lease agreement registrations, legal zoning and permissible usage. We are also subject to various loan and other contractual arrangements that impose certain limitations and restrictions on property transfers, leases and disposals or requirements on investment and output amounts and tax contributions, among others. Furthermore, we must obtain requisite approvals, licenses and permits in carrying out construction projects on owned properties. Failures to comply with such laws, regulations and requirements may subject us to administrative fines, government orders or foreclosures. If we lose the ability to use our owned properties for their actual or intended purposes, or if we are unable to complete planned construction projects in a timely manner, we may not be able to find replacement properties in a timely manner and on commercially acceptable terms, or at all, which may cause disruptions in parts of our logistics network and materially and adversely affect our business and results of operations. During the Track Record Period and up to the Latest Practicable Date, we were not subject to material administrative fines, government orders or foreclosures in connection with the real properties we own.

We face certain risks relating to the real properties that we lease, such as failure to register, or expiration of lease agreements, which may adversely affect our business.

We lease certain properties primarily for warehouses, sorting centers, offices and dormitories. We are subject to a variety of relevant laws and regulations in the jurisdictions where we operate, such as lease agreement registrations, permissible usage, among others. Any failure to comply with such laws and regulations may subject us to administrative fines or challenges by government agencies or third parties regarding the validity of lease agreements. For example, some lessors of our leased properties have not provided us with their property ownership certificates or other documentation proving their right to lease those properties to us. In addition, certain of our leasehold interests in leased properties have not been registered with the relevant PRC governmental authorities as required by PRC law. Furthermore, certain of our leased properties' current usages are not in conformity with the permitted usages prescribed in the relevant title certificates.

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material claims or actions being contemplated or initiated by government authorities, property owners or any other third parties with respect to our leasehold interests in or use of such properties. However, we cannot assure you that our use of such leased properties will not be challenged in the future. In the event that our use of properties is successfully challenged, we may be subject to fines and forced to relocate the affected operations. In addition, we may become involved in disputes with the property owners or third parties who otherwise have

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rights to or interests in our leased properties. We cannot assure you that we will be able to find suitable replacement sites on terms acceptable to us on a timely basis, or at all, or that we will not be subject to material liability resulting from third parties' challenges on our use of such properties. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Furthermore, certain of our leases are close to expiration. If we cannot successfully renew such leases where needed, we may not be able to locate comparable alternative sites as our business continues to grow, which may adversely and materially affect our business and operations.

Legal proceedings against us could harm our reputation and have a material and adverse effect on our business, financial condition, results of operations and prospects.

We have been involved in litigation and other disputes in the ordinary course of our business, which include lawsuits, arbitration, regulatory proceedings and labor and other disputes. Such litigation and disputes may result in claims for actual damages, freezing of our assets and diversion of our management's attention, as well as legal proceedings against our Directors, officers or employees. The probability and amount of liability, if any, may remain unknown for long periods of time. Given the uncertainty, complexity and scope of many of these litigation matters, their outcome generally cannot be predicted with any reasonable degree of certainty. As a result, any unfavorable final resolution of pending litigation matters, including substantial liabilities arising from lawsuit judgments, could have a material and adverse effect on our business, results of operations and financial condition. Moreover, even if we eventually prevail in these matters, we could incur significant legal fees or suffer significant reputational damage, which could have a material and adverse effect on our prospects and future growth, including our ability to attract and retain customers, logistics partners, employees and agents.

As we expand our international logistics services, we may face an increasing number and a wider variety of claims in the jurisdictions where we operate. Laws, rules and regulations may vary in their scope and we may face conflicting laws, rules and regulations. We may acquire companies that have been subject to, or may become subject to litigation and regulatory proceedings. In addition, in connection with litigation or regulatory proceedings we may be subject to in various jurisdictions, we may be prohibited by laws, regulations or governmental authorities in one jurisdiction from complying with subpoenas, orders or other requests from courts or regulators of other jurisdictions, including those relating to data held in or with respect to persons in these jurisdictions. Our failure or inability to comply with the subpoenas, orders or requests could subject us to fines, penalties or other legal liability, which could have a material adverse effect on our reputation, business, and results of operations.

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We may be accused of infringing intellectual property rights of third parties or violating content restrictions under relevant laws.

We have in the past faced and may continue to face claims from third parties that our products, service offerings or technologies, including those being jointly developed with our business partners, infringe upon their intellectual property rights or are provided beyond the authorized scope. During the Track Record Period and up to the Latest Practicable Date, we have not faced material litigation involving direct claims of infringement by us. However, the possibility of intellectual property claims against us increases as we continue to grow in China and globally. There could also be existing patents of which we are not aware that our products, service offerings or technologies may inadvertently infringe. Governmental authorities around the world also stepped up efforts to investigate, prevent and take actions against alleged misappropriation of intellectual property, which may result in increased scrutiny, investigations, enforcement actions and litigation relating to intellectual property infringement. These claims or scrutiny, whether or not having merit, may result in our expenditure of significant financial and management resources, injunctions against us or payment of damages. We may need to obtain licenses from third parties who allege that we have infringed their rights, but these licenses may not be available on terms acceptable to us, or at all. These risks have been amplified by the increase in the number of third parties whose sole or primary business is to assert these claims.

If our products, service offerings or technologies were deemed to infringe upon third parties' patents, copyrights or other intellectual property rights, we could suffer losses, incur additional expenses to purchase such intellectual property rights, or become subject to penalties, including confiscation of income, fines, suspension of business and revocation of required licenses, which could materially and adversely affect our business, financial condition and results of operations. The outcome of any claims, investigations and proceedings is inherently uncertain, and in any event defending against these claims could be both costly and time-consuming, and could significantly divert the efforts and resources of our management and other personnel. An adverse determination in any of these litigation matters or proceedings could cause us to pay damages, incur legal and other costs, limit our ability to conduct business or require us to change the manner in which we operate and harm our reputation.

We may not be able to protect our intellectual property rights.

We rely on a combination of trademark, fair trade practice, patent, copyright and trade secret protection laws in the jurisdictions where we operate, as well as confidentiality procedures and contractual provisions, to protect our intellectual property rights. See "Our Business — Intellectual Property." We also enter into confidentiality agreements with our employees and any third parties who may access our proprietary information, and we rigorously control access to our proprietary technology and information.

We have in the past suffered and may continue to suffer from intellectual property infringement as we continue to expand our business in China and globally. Intellectual property protection may not be sufficient in the jurisdictions where we operate. Confidentiality

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agreements may be breached by counterparties, and there may not be adequate remedies available to us for these breaches. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in the jurisdictions where we operate. In addition, policing any unauthorized use of our intellectual property is difficult, time-consuming and costly and the steps we have taken may be inadequate to prevent the misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources. There can be no assurance that we will prevail in any litigation. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Any failure in protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

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

We have established a risk management system, including an organizational framework, policies and procedures that are designed to identify, monitor, control and respond to potential risks relevant to our business operations. However, due to the inherent limitations in its design and implementation, our risk management system may not be sufficiently effective if external circumstances change substantially or extraordinary events take place.

Furthermore, our new business initiatives may give rise to additional risks that are currently unknown to us, despite our efforts to anticipate such issues. If our risk management system fails to detect potential risks in our business as intended or is otherwise exposed to weaknesses and deficiencies, our business, financial condition and results of operations could be materially and adversely affected.

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

We may not have sufficient insurance coverage to cover our business risks.

We have obtained insurance, such as property insurance, business interruption insurance for certain of our logistics facilities and third-party liabilities insurance, to cover certain potential risks and liabilities. However, insurance companies in China and other jurisdictions in which we operate may offer limited business insurance products or we may not be able to

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obtain such insurance on favorable terms. As a result, we do not maintain insurance for all types of risks we face in our operations in China and elsewhere, and our coverage may not be adequate to compensate for all losses that may occur, particularly with respect to loss of business or operations.

We also do not maintain product liability or key-man life insurance. This potentially insufficient coverage could expose us to potential claims and losses. Any business disruption, litigation, regulatory action, outbreak of epidemic disease or natural disaster could also expose us to substantial costs and diversion of resources. There can be no assurance that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

We had net current liabilities in the past, which we may continue to have in the future.

We had net current liabilities of RMB3,983 million as of March 31, 2022. See “Financial Information — Discussion of Certain Key Balance Sheet Items — Discussion of Current Assets and Liabilities.” We cannot assure you that we will not have net current liabilities in the future. Net current liabilities position can expose us to the risk of shortfalls in liquidity, which may adversely affect our ability to execute our business strategies and constrain our business operations. Any difficulty or failure to meet our liquidity needs as and when needed can have a material adverse effect on our business, financial condition and results of operations and prospects.

Our financial condition may be materially and adversely affected if we fail to collect trade receivables from our customers in a timely manner, or at all.

Our trade receivables from third and related parties (after deducting credit loss allowance) increased by 44% from RMB3,286 million as of March 31, 2021 to RMB4,723 million as of March 31, 2022, further increased by 50% to RMB7,069 million as of March 31, 2023 and further increased by 18% to RMB8,363 million as of June 30, 2023. The increases in trade receivables were primarily due to an increase in the proportion of our revenue generated from merchants and logistics companies with credit terms. See “Financial Information — Discussion of Certain Key Balance Sheet Items — Discussion of current assets and liabilities — Trade, other receivables and prepayments — Trade receivables.”

Credit risks for trade receivables arise when our customers default on their contractual obligations resulting in financial losses to our Company. While we have internal processes and limits to identify and mitigate credit risks, we cannot assure you that we are or will be able to accurately assess the creditworthiness of each of our customers before entering into agreements or extending credit terms, neither can we guarantee that each of these customers will be able

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to strictly follow and enforce the payment schedules provided in the relevant agreements. Any inability of our customers to pay us in a timely manner may adversely affect our liquidity and cash flows, which may in turn have a material adverse effect on our results of operations and financial condition.

Changes in business prospects may result in impairment of goodwill acquired in business combinations, which could negatively affect our results of operations.

As of June 30, 2023, we had goodwill of RMB4,353 million, which primarily arose from the acquisitions of certain logistics businesses with delivery and warehouse operations for expanding our logistics network. We assess the impairment of goodwill annually, or more frequently if certain events or changes in circumstances indicate that it might be impaired, by comparing the recoverable amounts of cash-generating unit to the carrying amounts. See Notes 20 to our consolidated financial statements included in the Accountant’s Report in Appendix I to this document for further details. We assessed the impairment on goodwill at the end of each of the fiscal years ended March 31, 2021, 2022 and 2023, and the three months ended June 30, 2023 and the recoverable amounts exceeded carrying amounts, and concluded that the goodwill was not regarded as impaired. However, any significant impairment of goodwill in the future due to changes in business prospects could have a material adverse effect on our business, financial condition and results of operations.

We are exposed to fair value changes of certain of our investments. The determination of such fair value changes requires the use of estimates that are based on unobservable inputs, and therefore inherently involves a certain degree of uncertainty.

We classify certain of our investments as financial assets at fair value through profit or loss, including (i) those included in current assets, such as options granted to us by certain investee companies and (ii) those included in non-current assets, such as strategic investments in the form of convertible redeemable preferred shares, ordinary shares with preferential rights and listed equity securities. We primarily select and make the strategic investments to expand our logistics network, strengthen our logistics service capabilities, and integrate key capabilities across the end-to-end logistics value chain. See Note 24 to our consolidated financial statements included in the Accountant’s Report in Appendix I to this document for further details.

The fair value changes of financial investments at fair value through profit or loss may affect our financial position and results of operations. For example, we recorded fair value losses of financial assets and liabilities at fair value through profit or loss of RMB273 million and RMB301 million in fiscal year 2021 and the three months ended June 30, 2023, respectively, which were primarily due to fair value changes of certain of our investments. We may continue to incur fair value losses on our investments in the future.

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We use significant unobservable inputs, such as risk-free rate, discount for lack of marketability and expected volatility, in valuing certain of our assets and liabilities, including financial assets at fair value through profit or loss. Such determination requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of such assets and liabilities. These factors include, but are not limited to, credit risk, market volatility and liquidity adjustments. Any of these factors, as well as others, could cause our estimates to vary from actual results, which could materially and adversely affect our results of operations and financial condition.

Our investments in associates and joint ventures may subject us to various risks.

We classify our investments in associates and joint ventures as investments accounted for using the equity method. As of March 31, 2021, 2022 and 2023 and June 30, 2023, our investments accounted for using the equity method amounted to RMB1,041 million, RMB4,480 million, RMB4,287 million and RMB4,427 million, which mainly represent our share of interest in certain private companies. We recorded impairment losses on an associate and joint ventures accounted for using the equity method of RMB229 million for the fiscal year 2023. See Note 21 to our consolidated financial statements included in the Accountant's Report in Appendix I to this document for further details.

We may invest in additional associates or joint ventures in the future. Our results of operations might be affected by the results of any such associates or joint ventures we invest in, as typically there is no cash flow to us until dividends are received. In addition, investments in associates or joint ventures are not as liquid as compared with other types of investments. In particular, the failure to generate financial results commensurate with investments may result in impairment losses. Any significant impairment losses charged against our investments in associates or joint ventures could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, our associates or joint venture partners, as well as any future partners, may have interests that are different from ours which may result in conflicting views as to the conduct of the business of the associates or joint ventures. In the event that we have a disagreement with an associate or a joint venture partner with respect to the management decision, policy or operations of the associate or joint venture, we may not be able to resolve such disagreement in our favor and such disagreement could have a material adverse effect on our interests in the associate or the joint venture or the business of the associate or the joint venture in general. Furthermore, if our associates or joint ventures fail to comply with laws and regulations, we may be subject to regulatory investigations, fines, penalties or other actions, as well as suffer reputational harm.

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We have granted and expect to continue to grant share-based awards in the future under our share incentive plans, which may result in increased share-based compensation expenses.

We have granted share options, RSUs and restricted shares under the Pre-[REDACTED] Equity Incentive Plans to certain directors, officers and employees and others. See “Appendix V — Statutory and General Information — D. Equity Incentive Plans.” We recorded RMB849 million, RMB2,002 million, and RMB2,146 million and RMB323 million in fiscal years 2021, 2022 and 2023 and the three months ended June 30, 2023, respectively, in share-based compensation expenses in relation to share-based award grants, representing 1.6%, 3.0%, 2.8% and 1.4% of our revenue for the respective periods. We also expect to continue to grant awards under our equity incentive plans, which we believe is of significant importance to our ability to attract and retain key personnel and employees. As a result, our expenses associated with share-based payments may increase, which may have an adverse effect on our financial condition and results of operations.

An occurrence of widespread health epidemics or other outbreaks or natural disasters could have a material adverse effect on our business, financial condition and results of operations.

Our business could be materially and adversely affected by the outbreak of widespread health epidemics, such as COVID-19, swine flu, avian influenza, severe acute respiratory syndrome, Ebola and Zika; natural disasters, such as earthquakes, snowstorms, storm surges, floods, fires, drought and other effects of climate change; or other events, such as wars, acts of terrorism, environmental accidents, power shortages or communication interruptions. The occurrence of a disaster or a prolonged outbreak of an epidemic illness or other adverse public health developments in China or elsewhere in the world could materially disrupt our industry and our business and operations, and have a material adverse effect on our business, financial condition and results of operations. For example, these events could cause a temporary closure of the facilities we use for our operations, significantly disrupt supply chains and logistics services or severely impact consumer behaviors and the operations of merchants and logistics partners and other service providers in our logistics network. Our operations could also be disrupted if any of our employees or employees of our business partners are suspected of contracting an epidemic disease, since this could require us or our business partners to quarantine some or all of these employees or disinfect the facilities used for our operations. In addition, our revenue and profitability could be materially reduced to the extent that a natural disaster, health epidemic or other outbreak or any change in policy in response to such event harms the global or PRC economy in general.

In an effort to halt the COVID-19 pandemic, governmental authorities in countries and regions where we operate placed restrictions on travel and transportation and closed certain businesses during certain periods from January 2020 to December 2022. While we have resumed normal business operations, we experienced certain disruptions in parts of our logistics network as a result of various governmental measures due to the COVID-19 outbreaks in countries and regions where we operate. In addition, restrictions related to COVID-19 temporarily disrupted China’s supply chain in 2022, forcing some Chinese merchants and manufacturers to suspend their operations, reducing manufacturing output and demand for

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e-commerce logistics services. Transportation restrictions related to the COVID-19 reduced global air freight capacities and led to shortages in global ocean freight capacities, resulting in increases in associated costs and longer transit times. To mitigate such impact, we have taken proactive measures, such as using air charter services for cargo transportation and negotiating price lock-up agreements to control our fulfillment costs, among other measures. Meanwhile, we have observed that the COVID-19 pandemic has led to a shift in consumer preferences for e-commerce, which in turn resulted in increased needs for e-commerce logistics services, including those provided by us. However, we cannot assure you that such trend of consumer preferences for e-commerce will sustain, nor that we will be able to successfully grow our logistics business.

RISKS RELATED TO OUR CORPORATE STRUCTURE

If the contractual arrangements in relation to our VIE were deemed not in compliance with PRC regulatory requirements on foreign investment, or if these regulations or the interpretation of existing regulations changes in the future, we could be subject to penalties, or be forced to relinquish our interests in those operations, which would materially and adversely affect our business, financial results and the [REDACTED] of our Shares.

Due to legal restrictions on foreign ownership and investment in, among other areas, value-added telecommunication services, which include the operations of ICPs, we, similar to all other entities with foreign-incorporated holding company structures operating in our industry in China, operate certain value-added telecommunication services, which are critical to our business, through our PRC-incorporated VIE, Hangzhou Cainiao Logistics Information Technology Co., Ltd (杭州菜鸟物流信息科技有限公司). See “Regulatory Overview — Regulations of Value-added Telecommunication Services” and “Regulatory Overview — Regulation of Foreign Investment.” Contractual arrangements between us and our VIE and its equity holder give us effective control over the VIE and enable us to obtain substantially all of the economic benefits arising from the VIE as well as to consolidate the financial results of the VIE in our results of operations under IFRS. Although the structure we have adopted is consistent with longstanding industry practice, and is commonly adopted by comparable companies in China, the PRC regulatory authorities may not agree that these arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future.

In the opinion of Fangda Partners, our PRC counsel, (i) the ownership structure of our wholly-owned entity and our VIE in China does not and will not violate any applicable PRC law, regulation or rule currently in effect; and (ii) the contractual arrangements between our VIE, the corresponding wholly-owned entity and the equity holder of our VIE governed by PRC law are valid, binding and enforceable in accordance with their terms and applicable PRC laws and regulations currently in effect and will not violate any applicable PRC law, rule or regulation currently in effect, except that the dispute resolution provisions of the contractual arrangements regarding the remedies that may be awarded by the arbitral body and the power of overseas courts such as Hong Kong and the Cayman Islands to grant interim remedies in support of the arbitration may not be recognizable or enforceable in the PRC. However, Fangda

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Partners has also advised us that there are substantial uncertainties regarding the interpretation and application of current PRC laws, rules and regulations. Accordingly, the possibility that the PRC regulatory authorities and PRC courts may in the future take a view that is contrary to the opinion of our PRC legal counsel cannot be ruled out. In addition, such laws, rules and regulations could change or be interpreted differently in the future. See also “Contractual Arrangements — Our Contractual Arrangements.”

Contractual arrangements in relation to a VIE have not been tested in a court of law, and it is uncertain whether any new PRC laws, rules or regulations relating to VIE structures will be adopted or if adopted, what they would provide. See also “— The interpretation and implementation of the foreign investment laws of the PRC with respect to the VIE structure may impact the viability of our current corporate structure, business, financial condition and results of operations.”

If we or our VIE are found to be in violation of any existing or future PRC laws, rules or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have discretion to take action in dealing with these violations or failures in accordance with the then-effective applicable laws, including revoking the business and operating licenses of our PRC subsidiaries or the VIE, requiring us to discontinue or restrict our operations, restricting our right to collect revenue, blocking one or more of our websites, mobile apps, requiring us to restructure our operations or taking other regulatory or enforcement actions against us. The imposition of any of these measures could result in a material adverse effect on our ability to conduct a portion of our business operations. In addition, it is unclear what impact these actions would have on us and on our ability to consolidate the financial results of our VIE in our consolidated financial statements in accordance with IFRS, if the PRC regulatory authorities were to find our legal structure and contractual arrangements to be in violation of PRC laws, rules and regulations. If the imposition of any of these government actions causes us to lose our right to direct the activities of our VIE or otherwise separate from such entity and if we are not able to restructure our ownership structure and operations in a satisfactory manner, we would no longer be able to consolidate the financial results of our VIE in our consolidated financial statements. Any of these events would have a material adverse effect on our business, financial condition and results of operations, as well as cause the [REDACTED] of our Shares to significantly decline or become worthless.

The interpretation and implementation of the foreign investment laws of the PRC with respect to the VIE structure may impact the viability of our current corporate structure, business, financial condition and results of operations.

The VIE structure has been adopted by many China-based companies, including us and certain of our equity investees, to obtain licenses and permits necessary to operate in industries that currently are subject to restrictions on or prohibitions for foreign investment in China. According to the 2015 Draft PRC Foreign Investment Law, variable interest entities that are controlled via contractual arrangements would be deemed as foreign-invested enterprises, if they are ultimately “controlled” by foreign investors. In March 15, 2019, the National People’s

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Congress promulgated the 2019 PRC Foreign Investment Law. In December 2019, the State Council of the PRC promulgated the Implementing Rules of the Foreign Investment Law of the People’s Republic of China to further clarify and elaborate upon relevant provisions of the 2019 PRC Foreign Investment Law. The 2019 PRC Foreign Investment Law and the Implementing Rules of the Foreign Investment Law of the People’s Republic of China both became effective on January 1, 2020 and replaced major former laws and regulations governing foreign investment in the PRC. See “Regulatory Overview — Regulation of Foreign Investment.”

As the 2019 PRC Foreign Investment Law has a catch-all provision that broadly defines “foreign investments” as those made by foreign investors in China through methods as specified in laws, administrative regulations, or as stipulated by the State Council of the PRC, relevant governmental authorities may promulgate additional rules and regulations as to the interpretation and implementation of the 2019 PRC Foreign Investment Law. In particular, there can be no assurance that the concept of “control” as reflected in the 2015 Draft PRC Foreign Investment Law, will not be reintroduced, or that the VIE structure adopted by us will not be deemed as a method of foreign investment by other laws, regulations and rules.

Furthermore, on December 19, 2020, the NDRC and MOFCOM promulgated the Foreign Investment Security Review Measures (《外商投資安全審查辦法》), which took effect on January 18, 2021. Under the Foreign Investment Security Review Measures, investments in military, national defense-related areas or in locations in proximity to military facilities, or investments that would result in acquiring the actual control of assets in certain key sectors, such as critical agricultural products, energy and resources, equipment manufacturing, infrastructure, transport, cultural products and services, IT, Internet products and services, financial services and technology sectors, are required to be approved by designated governmental authorities in advance. Although the term “investment through other means” is not clearly defined under the Foreign Investment Security Review Measures, we cannot rule out the possibility that control through contractual arrangement may be regarded as a form of actual control and therefore require approval from the competent governmental authority. The interpretation and implementation of the Foreign Investment Security Review Measures will be in accordance with the then-effective applicable laws.

Accordingly, it remains to be clarified as to whether our VIE structure may be deemed as a method of foreign investment in the future. If our VIE structure were to be deemed as a method of foreign investment under any future laws, regulations and rules, and if any of our business operations were to fall under the “Negative List” for foreign investment, we would need to take further actions in order to comply with these laws, regulations and rules, which may materially and adversely affect our current corporate structure, business, financial condition and results of operations.

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Our contractual arrangements may not be as effective in providing control over the VIE as direct ownership.

We have relied and expect to continue to rely on contractual arrangements with our VIE to operate certain value-added telecommunication services in which foreign investment is restricted. For a description of these contractual arrangements, see “Contractual Arrangements — Our Contractual Arrangements.” These contractual arrangements may not be as effective as direct ownership in providing us with control over our VIE.

If we had direct ownership of the VIE, we would be able to exercise our rights as an equity holder directly to effect changes in the boards of directors of those entities, which could effect changes at the management and operational level. Under our contractual arrangements, we may not be able to directly change the members of the boards of directors of the VIE and would have to rely on the VIE and the variable interest entity equity holder to perform their obligations in order to exercise our control over the VIE. The variable interest entity equity holder may have conflicts of interest with us or our shareholders, and they may not act in our best interests or may not perform their obligations under these contracts. Pursuant to the call options, we may replace the equity holder of the VIE at any time pursuant to the contractual arrangements. However, if the equity holder is uncooperative in the replacement of the equity holder or there is any dispute relating to these contracts that remains unresolved, we will have to enforce our rights under the contractual arrangements through the operations of PRC law and judicial agencies, which, similar to any law and judicial agencies of other jurisdictions, may be costly and time-consuming. See “— Any failure by our VIE or its equity holder to perform their obligations under the contractual arrangements would have a material adverse effect on our business, financial condition and results of operations.” Consequently, the contractual arrangements may not be as effective in ensuring our control over the relevant portion of our business operations as direct ownership.

Any failure by our VIE or its equity holder to perform their obligations under the contractual arrangements would have a material adverse effect on our business, financial condition and results of operations.

If our VIE or its equity holder fails to perform their respective obligations under the contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce the arrangements. Although we have entered into a call option agreement in relation to the VIE, which provides that we may exercise an option to acquire, or nominate a person to acquire, ownership of the equity in that entity or, in some cases, its assets, to the extent permitted by applicable PRC laws, rules and regulations, the exercise of the call option is subject to the review and approval of the relevant PRC governmental authorities. We have also entered into equity pledge agreement with the equity shareholder of the VIE to secure certain obligations of the VIE and its equity holder to us under the contractual arrangements. In addition, the enforcement of these agreements through judicial agencies, if any, may be costly and time-consuming and will be subject to inherent uncertainties. Moreover, our

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remedies under the equity pledge agreement are primarily intended to help us collect debts owed to us by the VIE or the equity holder of the VIE under the contractual arrangements and may not help us in acquiring the assets or equity of the VIE.

In addition, since the VIE is indirectly owned by individuals, although the terms of the contractual arrangements provide that they will be binding on the successors of the VIE's equity holder, as those successors are not a party to the agreements, it is uncertain whether the successors in case of the death, bankruptcy or divorce of the VIE's equity holders will be subject to or will be willing to honor the obligations of the VIE's equity holders under the contractual arrangements. If the VIE or its equity holders (or its successors), as applicable, fails to transfer the equity interest in the VIE according to the respective call option agreement or equity pledge agreement, we would need to enforce our rights under the call option agreement or equity pledge agreement, which may be costly and time-consuming and may not be successful.

The contractual arrangements are governed by PRC law and provide for the resolution of disputes through court proceedings in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. Results of legal proceedings could limit our ability to enforce the contractual arrangements. Under PRC law, if the losing parties fail to carry out the court judgments within a prescribed time limit, the prevailing parties may only enforce the court judgments in PRC courts, which would require additional expense and delay. In the event we are unable to enforce the contractual arrangements, we may not be able to exert effective control over the VIE, and our ability to conduct our business, as well as our financial condition and results of operations, may be materially and adversely affected.

We may lose the ability to use, or otherwise benefit from, the licenses, approvals and assets held by our VIE, which could severely disrupt our business, render us unable to conduct some or all of our business operations and constrain our growth.

Although the significant majority of our revenues are generated, and the significant majority of our operational assets are held, by our wholly-owned entities, which are our subsidiaries, our VIE holds licenses and approvals and assets that are necessary for our business operations, to which foreign investments are restricted under applicable PRC law. The contractual arrangements contain terms that specifically obligate the VIE's equity holder to ensure the valid existence of the VIE and restrict the disposal of material assets of the VIE. However, in the event the VIE's equity holder breaches the terms of these contractual arrangements and voluntarily liquidates our VIE, or the VIE declares bankruptcy and all or part of its assets become subject to liens or rights of third-party creditors, or are otherwise disposed of without our consent, we may be unable to conduct some or all of our business operations or otherwise benefit from the assets held by the VIE, which could have a material adverse effect on our business, financial condition and results of operations. Furthermore, if our VIE undergoes a voluntary or involuntary liquidation proceeding, its equity holder or unrelated third-party creditors may claim rights to some or all of the assets of the VIE, thereby hindering our ability to operate our business as well as constraining our growth.

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The Registered Shareholders, director and executive officers of our VIE may have potential conflicts of interest with us.

PRC laws provide that a director and an executive officer owes a fiduciary duty to the company he or she directs or manages. The director, Registered Shareholders and executive officers of our VIE must act in good faith and in the best interests of the VIE and must not use their respective positions for personal gain. On the other hand, as directors of our Company, the relevant individuals have a duty of care and loyalty to us as a whole under Cayman Islands law. We control our VIE through contractual arrangements and the business and operations of our VIE are closely integrated with the business and operations of our subsidiaries. Nonetheless, conflicts of interests for these individuals may arise due to dual roles both as Registered Shareholders, directors and executive officers of our VIE and as our executive officers, directors or employees.

There can be no assurance that the Registered Shareholders of our VIE will always act in our best interests should any conflicts of interest arise, or that any conflicts of interest will always be resolved in our favor. There also can be no assurance that such individual will ensure that our VIE will not breach the existing contractual arrangements. If we cannot resolve any of these conflicts of interest or any related disputes, we would have to rely on legal proceedings to resolve these disputes and/or take enforcement action under the contractual arrangements. There is substantial uncertainty as to the outcome of any of these legal proceedings. See “— Any failure by our VIE or its equity holder to perform their obligations under the contractual arrangements would have a material adverse effect on our business, financial condition and results of operations.”

The contractual arrangements with our VIE may be subject to scrutiny by the PRC tax authorities. Any pricing adjustment of a related party transaction could lead to additional taxes, and therefore substantially reduce our consolidated net income and the value of your [REDACTED].

The tax regime and practices in China are evolving and PRC tax laws may be interpreted in different ways. The PRC tax authorities may assert that we or our subsidiaries or the VIE or its equity holder are required to pay additional taxes on previous or future revenue or income. In particular, under applicable PRC laws, rules and regulations, arrangements and transactions among related parties, such as the contractual arrangements with our VIE, may be subject to audit or challenge by the PRC tax authorities. If the PRC tax authorities determine that any contractual arrangements were not entered into on an arm's length basis and therefore constitute a favorable transfer pricing, the PRC tax liabilities of the relevant subsidiaries, the VIE and/or the VIE's equity holder could be increased, which could increase our overall tax liabilities. In addition, the PRC tax authorities may impose late payment interest. Our net income may be materially reduced if our tax liabilities increase.

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Our Articles of Association contain anti-takeover provisions that could adversely affect the rights of holders of our Shares.

Our Articles of Association contain certain provisions that could limit the ability of third parties to acquire control of our Company, including a provision that grants authority to our board of directors to allot, issue, grant options over or otherwise dispose of shares with or without preferred, deferred or other rights or restrictions, whether with regard to dividend, voting, return of capital or otherwise, to such person, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit. These provisions could have the effect of delaying, preventing or deterring a change in control, and could limit the opportunity for our shareholders to receive a premium for their Shares, and could also materially decrease the price that some [REDACTED] are willing to pay for our Shares.

RISKS RELATED TO DOING BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

While this may also apply to other jurisdictions, the interpretation and enforcement of PRC laws, rules and regulations involve inherent uncertainties.

While our operations are governed by laws, rules and regulations of various jurisdictions, most of our operations are conducted in the PRC, and are governed by PRC laws, rules and regulations. Our PRC subsidiaries are subject to laws, rules and regulations applicable to foreign investment in China.

Over the past decades, the PRC has continued to develop and enhance the laws and regulations applicable to foreign investment, corporate governance, taxes, trade and other economic matters in China, and such laws and regulations will continue to evolve in accordance with the overall economic and social developments. We cannot assure you that our business operations would be deemed to comply with any existing or future PRC laws or regulations at all times, and non-compliance with relevant laws and regulations may materially and adversely affect our business, financial conditions and results of operations.

Any administrative and court proceedings may result in substantial costs and diversion of resources and management attention. As administrative and court authorities are bound to interpret and enforce statutory and contractual terms, they will need to exercise certain discretion, and it is possible that the PRC administrative and court authorities would not interpret and enforce the statutory and contractual terms in a manner favorable to us, and it may be difficult to accurately assess our rights and obligations under such statutory laws and regulations or predict the outcome of any administrative and court proceedings we may face thereunder.

We are subject to the regulation and supervision of various governmental agencies in China, and to fulfill their respective regulatory responsibilities, they may set new requirements or standards on various aspects of our operations, as well as conduct regulatory investigations,

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initiatives or other actions, which could in turn significantly influence our operations, and our ability to obtain external financing through the issuance of equity securities overseas, and as a result, the [REDACTED] of our Shares could significantly decline or become worthless.

Our operations are subject to various PRC laws and regulations, and compliance with these laws and regulations could lead to increases in our costs.

We are subject to extensive national, provincial and local governmental regulations, policies and requirements. Central governmental authorities and provincial and local authorities and agencies regulate many aspects of Chinese industries, including, among others and in addition to specific industry-related regulations, the following aspects: (i) operation of logistics and supply chain services; (ii) traffic and transport-related services; (iii) provision of supply chain solutions, transport services, financial services, retail services and operation of high-technology businesses; (iv) provision of value-added telecommunication services; (v) environmental laws and regulations; (vi) securities laws and regulations; (vii) establishment of or changes in shareholder of foreign investment enterprises; (viii) foreign exchange; (ix) taxes, duties and fees; (x) customs; and (xi) land planning and land use rights, including establishment of urban transformation initiatives.

The liabilities, costs, obligations and requirements associated with these laws and regulations may cause interruptions to our operations or impact our financial position and results of operations. Failure to comply with the relevant laws and regulations in our operations may result in various penalties, including, among others the suspension of our operations and thus adversely and materially affect our business, prospects, financial condition and results of operations. Additionally, there can be no assurance that the relevant government agencies will not change such laws or regulations or impose additional or more stringent laws or regulations. Compliance with such laws or regulations may require us to incur material capital expenditures or other obligations or liabilities. Legal requirements are evolving and subject to interpretation in accordance with the then-effective applicable laws, and we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. We may be required to make significant expenditures or modify our business practices to comply with existing or future laws and regulations, which may increase our costs and materially limit our ability to operate our business.

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

Our business is subject to governmental supervision and regulation by the relevant PRC governmental authorities, including but not limited to the State Post Bureau under the Ministry of Transport, MIIT and the General Administration of Customs. Together, these governmental authorities promulgate and enforce regulations that cover many aspects of our day-to-day

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operations, and we may fail to fully comply with certain of these regulations. See also "Regulatory Overview." Non-compliance with applicable laws, regulations and policies by us may materially and adversely impact our business, reputation, financial condition and results of operations.

According to the Interim Regulations on Express Delivery, which were promulgated by the State Council on March 2, 2018, took effect on May 1, 2018 and were amended on March 2, 2019, we are subject to a revised set of requirements in operating our express delivery business, including but not limit to: (i) we are required to file records with the local post administrations for opening express delivery terminal outlets; (ii) in case we intend to suspend operating express delivery services, we shall make public announcement, submit a written notice to the postal administrative departments, return the Courier Service Operation Permit and make proper arrangement on undelivered express parcels; (iii) we shall not sell, reveal or illegally provide any information of customer and we shall take remedial measures and report to the local post administrations in case the information of customer is revealed or may be revealed; and (iv) we shall verify the identity of senders and register their identity information when receiving express parcels and shall not receive their express parcels where senders refuse to furnish identity information or furnish false identity information. The operation of our express delivery service is subject to this regulation. We cannot assure that we will be compliant with all of the regulations, and we may be required to rectify, or otherwise be subject to fines, suspension of business for remediation or revocation of Courier Service Operation Permit.

Pursuant to the E-commerce Law of the People's Republic of China, which was promulgated by Standing Committee of the National People's Congress and took effect on January 1, 2019, we are subject to certain requirements in e-commerce business, including but not limit to, (i) in providing express logistics services for e-commerce activities, the providers thereof shall abide by laws and administrative regulations, and comply with the service standards and time limits they have promised; (ii) while handing over commodities, express logistics service providers shall remind consignees to examine the commodities immediately on the spot; where the commodities are received by others for consignees, such express logistics service providers shall obtain the consent of consignees; and (iii) express logistics service providers are required to use environmental-friendly packaging materials in accordance with the relevant provisions in an effort to reduce the consumption of and recycle packaging materials. While offering express logistics services, the providers thereof may agree to be entrusted by e-commerce operators to collect payments for goods on a commission basis. The operation of our express delivery service is subject to this law. We cannot assure that we will be compliant with all of the requirements at all times, and we may be required to rectify. In order to adapt to the evolving e-commerce industry, which could have a significant impact on us, we may need to develop or upgrade existing business model. If our efforts to comply with laws and regulations concerning e-commerce business are unsuccessful, our business, financial condition and results of operations may be materially and adversely affected.

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Existing and new laws and regulations may be enforced from time to time and current and any future laws and regulations applicable to us and/or our network partners are subject to interpretation and implementation by competent governmental authorities. If the governmental authorities require additional approvals or licenses, imposes additional restrictions on our or our network partners’ operations, or tightens enforcements of existing or new laws or regulations, it has the authority, among other things, to levy fines, confiscate income, revoke business licenses, and require us to discontinue relevant business operations. In addition, our logistics partners have full discretion over their daily operations and make localized decisions with respect to their facilities, vehicles and hiring and pricing decisions. Their operations are regulated by various PRC laws and regulations, including local administrative rulings, orders and policies that are pertinent to their localized express delivery business. For example, local regulations may specify the models or types of vehicles to be used in parcel pickup and delivery services or require the logistics partners to implement heightened parcel safety screening procedures, which could materially drive up the operating costs and adversely affect the delivery efficiency of the pickup and delivery outlets.

On February 7, 2021, the Anti-Monopoly Committee of the State Council published Guidelines on Anti-monopoly Issues in Platform Economy (《關於平臺經濟領域的反壟斷指南》) (the “**Platform Economy Anti-Monopoly Guidelines**”). Among others, the Platform Economy Anti-Monopoly Guidelines intend to regulate abuse of a dominant position and other anti-competitive practices by online platform operators and provide further guidance for enforcement of anti-monopoly laws regarding network platform operators. If Alibaba or any of our business partners, which is a platform operator, fails to comply with these rules and regulations, our business cooperation with them may be affected; for example, the demand in supply chain solutions and logistics services previously provided for such business partners by us may decrease. If we were deemed as a platform operator, we may also be subject to the rules and regulations under the Platform Economy Anti-monopoly Guidelines.

The PRC Postal Law indicates that express delivery companies cannot engage in “posting and mail delivery business exclusively operated by postal enterprises.” In addition, foreign investors are not allowed to invest in a business that operates and provides domestic express delivery of letters. However, PRC law does not provide a clear definition for “posting and mail delivery business exclusively operated by postal enterprises,” or “letters.” If the authorities further define such term in the future and if any parcels that we deliver fall into the defined category, we may be considered in violation of such regulation.

Furthermore, we are subject to extensive laws and regulations concerning the protection of health and environment, which may vary by jurisdiction and are subject to changes. The environmental laws and regulations that apply to any given project sites vary greatly according to the site’s location, environmental condition and present and former uses, as well as the adjoining properties. We are also required to obtain the requisite licenses and permits, such as the Permit for Sewage Discharge into the Drainage Network, for our construction projects. Non-compliance with environmental laws and regulations may result in delays and/or the incurring of substantial costs and can severely restrict development activities for projects in

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environmentally sensitive areas. During the Track Record Period and up to the Latest Practicable Date, there had not been subject to any material fines or other material penalties due to non-compliance with environmental laws or regulations.

Regulations regarding acquisitions impose significant regulatory approval and review requirements, which could make it more difficult for us to pursue growth through acquisitions and subject us to fines or other administrative penalties.

Under the PRC Anti-monopoly Law, companies undertaking certain investments and acquisitions relating to businesses in China must notify and obtain approval from the SAMR, before completing any transaction where the parties’ revenues in China exceed certain thresholds and the buyer would obtain control of, or decisive influence over, the other party or any transaction that would otherwise trigger merger control filing obligations. In addition, we need to notify other PRC regulatory authorities if the investment or acquisition is in certain industries. The SAMR, the CAC and other regulatory agencies in China are enhancing merger control review in key areas, including national interest and people’s livelihood, finance, technology and media. On August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the State Taxation Administration (the “STA”), the SAIC, the CSRC, and the SAFE, jointly adopted the M&A Rules, which came into effect on September 8, 2006 and were amended on June 22, 2009. Under the M&A Rules, the approval of MOFCOM must be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire domestic companies affiliated with PRC enterprises or residents. Applicable PRC laws, rules and regulations also require certain merger and acquisition transactions to be subject to security review.

Under the currently effective PRC Anti-monopoly Law, due to the level of our revenues, our proposed acquisition of control of, or decisive influence over, any company with revenues within China of more than RMB400 million in the year prior to any proposed acquisition, would be subject to SAMR merger control review. In addition, a proposed transaction would be subject to SAMR merger control review if we have joint control of or joint decisive influence over any company with another party and where such other party has revenues within China of more than RMB400 million in the year prior to such transaction. Some of the transactions we undertook and may undertake could be subject to SAMR merger review. Under the PRC Anti-monopoly Law, we may also be required to make divestitures or be subject to limitations on our business practices and other administrative penalties if regulators determine that we have failed to obtain the required approvals in relation to investments and acquisitions, which could materially and adversely affect our business operations and financial results as well as the [REDACTED] of our Shares.

The Provisions of the State Council of the PRC on the Thresholds for Filing of Concentration of Undertakings (Revised Draft for Public Comments) issued by the SAMR on June 27, 2022 propose to significantly raise the filing thresholds with respect to revenue, but at the same time subjecting certain transactions that do not meet the revenue threshold to filing obligations. See “Regulatory Overview — Regulation of Monopoly and Unfair Competition.”

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If adopted in current form, these provisions may subject transactions involving significant undertaking and between one party with large revenue, like us, and start-up enterprises, to filing obligations. Uncertainties exist with respect to the enactment timetable and final content of such draft provisions. The amended PRC Anti-monopoly Law, which became effective on August 1, 2022, significantly raises the maximum fines for failure to file for merger control review, and introduces a “stop-clock mechanism” which may prolong the merger control review process. Furthermore, the Provisions on the Review of Concentration of Undertakings, which came into effect on April 15, 2023, provide detailed rules on how to implement the “stop-clock mechanism,” which allow the SAMR to suspend the calculation of time period for merger control review under various circumstances. See “Regulatory Overview — Regulation of Monopoly and Unfair Competition.” Complying with the requirements of the relevant regulations to complete these transactions could be time-consuming, and any required approval processes, including approval from SAMR, may be subject to discretion of regulators and could delay or inhibit our ability to complete these transactions, which could affect our ability to expand our business maintain our market share or otherwise achieve the goals of our acquisition strategy.

According to the Regulations on Enterprise Outbound Investment issued by the NDRC in December 2017, which came into effect on March 1, 2018, we may also need to report to the NDRC relevant information on overseas investments with an amount of US\$300 million or more in non-sensitive areas, and obtain the NDRC’s approval for our overseas investments in sensitive areas, if any, before the closing of the investments. According to the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市備案管理試行辦法》) and five supporting guidelines (collectively, the “**Overseas Listing Trial Measures**”), which promulgated by CSRC on February 17, 2023 and took effect on March 31, 2023, if a Chinese overseas listed company issues overseas listed securities to acquire assets, such issuance shall be subject to filing requirements. See “— The approval, filing or other requirements of the CSRC or other PRC regulatory authorities may be required under PRC law in connection with this [REDACTED] and any future issuance of securities overseas, and, if required, we cannot predict whether or for how long we or our subsidiaries will be able to obtain such approval or complete such filing.” Accordingly, these regulations may restrict our ability to make investments in some regions and industries overseas, and may subject any proposed investments to additional delays as well as heightened scrutiny, including after the investments have been made.

Our investment and acquisition strategy is subject to these laws, rules and regulations. Complying with the requirements of these laws, rules and regulations could be time-consuming, and any required approval processes, from relevant regulatory authorities may affect our ability to complete such transactions, which could affect our ability to complete investments and acquisitions in the future in a timely manner or at all.

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The approval, filing or other requirements of the CSRC or other PRC regulatory authorities may be required under PRC law in connection with this [REDACTED] and any future issuance of securities overseas, and, if required, we cannot predict whether or for how long we or our subsidiaries will be able to obtain such approval or complete such filing.

PRC laws and regulations in relation to the share issuance and listing of Chinese companies overseas have been evolving. As a result, we may be required to make filings with or report to CSRC or other PRC regulatory authorities for our future capital raising activities. Any failure or perceived failure to make filing, report or comply with other applicable laws and regulations would have a material adverse effect on our future capital raising activities and result in negative publicity and legal proceedings or regulatory actions against us.

On July 6, 2021, the relevant PRC authorities issued the Opinions on Intensifying Crack Down on Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》), which called for strengthening the administration over illegal securities activities and enhancing the supervision on overseas listings by Chinese companies. As a follow-up, on February 17, 2023, the CSRC promulgated the Overseas Listing Trial Measures, which took effect on March 31, 2023. The Overseas Listing Trial Measures clarify the scope of overseas offerings and listings by Chinese domestic companies which are subject to the filing and reporting requirements thereunder. Pursuant to the Overseas Listing Trial Measures, a Chinese company that directly or indirectly offers or lists its securities in an overseas market shall file with the CSRC within three business days after submitting listing application documents to the relevant regulator in the place of intended listing. Failure to complete such filing may subject the Chinese company to an order of rectification, a warning or a fine between RMB1 million and RMB10 million, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines. Pursuant to these regulations, a Chinese company applying for listing abroad shall, among others, complete record filing procedures and report relevant information to the securities regulatory authority as required. Furthermore, with respect to the issuers with contractual arrangements, at a press conference held for these new regulations, officials from the CSRC clarified that the CSRC will seek opinions from relevant governmental authorities on the contractual arrangements in PRC and allow those issuers with contractual arrangements who are in compliance with relevant requirements to file its overseas offering and listing with the CSRC. The Overseas Listing Trial Measures have also imposed additional reporting obligations on listed companies upon the occurrence of certain circumstances, including but not limited to change of controlling interest and delisting. See “Regulatory Overview — Regulation of Overseas Listing and M&A.” The Overseas Listing Trial Measures have been recently promulgated and may continue to evolve. We cannot assure you that we could complete such filing with the CSRC in a timely manner or at all. We cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements on us. If it is determined in the future that approval from or filing with the CSRC or other regulatory authorities or other procedures are required, we may fail to obtain such approval,

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perform such filing procedures or meet such other requirements in a timely manner or at all. Any failure may restrict our ability to complete this [REDACTED] or any future issuance of securities overseas, which could materially and adversely affect our business operations and financial results.

PRC regulatory authorities have also promulgated laws and regulations relating to cybersecurity review of Chinese companies listing overseas. According to the Revised Cybersecurity Review Measures, any network platform operator possessing over one million users’ individual information must apply for cybersecurity review before listing abroad, and the Draft Cyber Data Security Regulations, also set forth different scenarios where data processors are required to apply for cybersecurity review, including, among others, overseas listing while processing over one million users’ personal information, Hong Kong listing that affects or may affect national security, and other data processing activities that affect or may affect national security. See “— Risks Related to Our Business and Industry — Our business is subject to complex and evolving domestic and international laws and regulations regarding privacy and data protection, which are subject to change and interpretation in accordance with the then-effective applicable laws. Complying with these laws and regulations increases our cost of operations and may require changes to our data and other business practices. Failure to comply with these laws and regulations could result in claims, regulatory investigations, litigation or penalties, or otherwise negatively affect our business.” We may be required to apply for cybersecurity review in accordance with the Revised Cybersecurity Review Measures or the Draft Cyber Data Security Regulations, if adopted, before conducting offerings and listings, as applicable. Failure to comply with these laws and regulations may subject us or our subsidiaries to penalties including fines, suspension of business and revocation of required licenses. These new and evolving regulatory requirements could significantly increase our regulatory compliance costs, and it is uncertain whether we can, or how long it will take us to, obtain the relevant approval or complete the relevant filings for any offshore offerings, which would limit or hinder our ability and the ability of our subsidiaries to offer or continue to offer securities to investors. Any uncertainties or negative publicity regarding such approval and filings could materially and adversely affect our business, prospects, reputation, and the [REDACTED] of our Shares.

In addition, on February 24, 2023, the CSRC and other PRC governmental authorities jointly issued the revised Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the “**Revised Confidentiality Provisions**”), which took effect on March 31, 2023. According to the Revised Confidentiality Provisions, Chinese companies that directly or indirectly conduct overseas offerings and listings, shall strictly abide by the laws and regulations on confidentiality when providing or publicly disclosing, either directly or through their overseas listed entities, materials to securities service providers. In the event that such materials contain state secrets or working secrets of government agencies, companies shall first obtain approval from and file with relevant authorities. See “Regulatory Overview — Regulation of Overseas Listing and M&A.”

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Claims or regulatory actions under competition laws against us may result in our being subject to fines, constraints on our business and damage to our reputation.

In recent years, the PRC government has stepped up enforcement against concentration of undertakings, cartel activities, monopoly agreements, unfair pricing, abusive behaviors by companies with market dominance and other anti-competitive activities. In December 2020, the PRC central government announced that strengthening anti-monopoly measures and preventing the disorderly expansion of capital has become one of its focuses in 2021, and the government targets to improve digital regulations and legal standards for the identification of platform enterprise monopolies, for the gathering, usage and management of data, and for the protection of consumer rights.

The PRC government is enhancing its anti-monopoly and anti-unfair competition laws and regulations and guidance. The Measures for the Supervision and Administration of Online Trading (the "**Online Trading Measures**"), which took effect on May 1, 2021, the amended Anti-monopoly Law which came into effect on August 1, 2022, as well as the Provisions on the Prohibition of Monopoly Agreements, the Provisions on the Prohibitions of Acts of Abuse of Dominant Market Positions and the Provisions on the Review of Concentration of Undertakings, all of which came into effect on April 15, 2023, among others, impose liabilities on cartel facilitators who aid others in the summation of anti-competitive agreements, clarify that data, algorithms, technologies, platform rules and other measures may not be used for consummation of monopoly agreements, and prohibit platform operators from abuse of dominant market positions. On November 22, 2022, the SAMR published the Draft Amendment to the PRC Anti-unfair Competition Law for public comments, which introduced prohibition against the misuse of a relatively dominant market position and set significant administrative penalties specifically for unfair competitive practices in digital economy. Such laws and regulations:

- provide guidelines for the implementation of anti-monopoly and anti-unfair competition laws and regulations, including prohibition against the abuse of dominant market positions, especially in terms of unreasonable restrictions on transactions, price manipulation, interference with merchants' independent business operations, false or misleading marketing and the use of technical means to disrupt the normal operations of network products or services legally provided by other business operators and details of the review of concentration of undertakings;
- strengthen enforcement of anti-monopoly and anti-unfair competition laws and regulations, including the regulation of monopolistic behaviors and monopoly agreements and price-related violations as well as assistance in the consummation of monopoly agreements, such as below-cost pricing, price discrimination, manipulation of market prices, fraudulent pricing, entering into monopoly agreements and abuse of dominant market positions through data, algorithms, technology or platform rules, as well as supervision of concentration of undertakings; and

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- increase legal liabilities, including greater penalties and criminal liabilities, for violations of anti-monopoly and anti-unfair competition laws and regulations.

The SAMR, together with certain other PRC governmental authorities have been active in their oversight and the establishment of long-term mechanisms for fair market competition in the sharing consumption industry. While we have conducted self-inspections and undergone self-rectifications, we may still make further changes to our business practices, which may increase our compliance costs and adversely affect our business performance.

To comply with existing laws and regulations and new laws and regulations that may be enacted in the future, as well as administrative guidance and requirements by regulators from time to time, we may need to devote significant resources and efforts, including changing our business and pricing practices, restructuring our businesses and adjusting our investment activities, which may materially and adversely affect our business, growth prospects, reputation and the [REDACTED] of our Shares. We may also be subject to regulatory investigations, fines and other penalties, which could materially and adversely affect our business and reputation. The consequences of violating anti-monopoly and anti-unfair competition laws and regulations could be significant, including, for example, fines of up to 50% of revenue, suspension of business and revocation of business licenses. Due to the expansive scope of business activities the anti-monopoly and anti-unfair competition laws and regulations target to regulate, many of our businesses and practices, including our business models, pricing practices, promotional activities and cooperation with business partners, may be subject to regulatory scrutiny and significant penalties. Certain long-standing practices, such as upstream and downstream investments and mergers as well as horizontal investments and mergers, our cross-platform user ID system, data and algorithm applications, our traffic allocation approach and the manners in which we offer payment, logistics and other services to consumers may be subject to challenges by regulators, consumers, merchants and other parties. See also “— Regulations regarding acquisitions impose significant regulatory approval and review requirements, which could make it more difficult for us to pursue growth through acquisitions and subject us to fines or other administrative penalties.”

The PRC Anti-monopoly Law and Anti-unfair Competition Law also provide a private right of action for competitors, business partners or customers to bring anti-monopoly and anti-unfair competition claims against companies. In recent years, an increased number of companies have been exercising their right to seek relief under the PRC Anti-monopoly Law, Anti-unfair Competition Law and related judicial interpretations. Some of these companies, including our competitors, business partners and customers, have resorted to and may continue making public allegations or launching media campaigns against us, submitting complaints to regulators or initiating private litigation that targets our and our business partners’ prior and current business practices. See “Our Business — Legal Proceedings and Compliance.” There may be other similar litigation in the future, and we may face increased challenges in defending ourselves in existing and future lawsuits brought against us pursuant to the PRC Anti-monopoly Law. If we fail to successfully defend ourselves against these claims, we may be required to pay damages, which may be significant and could materially and adversely affect our business operations, financial results and reputation.

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Allegations, claims, investigations, regulatory interviews, unannounced inspections, or other actions or proceedings under the anti-monopoly and anti-unfair competition laws and regulations, regardless of their merits, have caused, and may continue to cause, us to be subject to regulatory actions, such as profit disgorgement and heavy fines, significant amounts of damage payments or settlements, and constraints on our investments and acquisitions. We may be required to make further changes to some of our business practices and divest certain businesses, which could decrease the popularity of our businesses, products and services and cause our revenue and net income to decrease materially. Any of the above circumstances could materially and adversely affect our business, operations, reputation, brand, the [REDACTED] of our Shares.

PRC regulations relating to investments in offshore companies by PRC residents may subject our PRC-resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to inject capital into our PRC subsidiaries or limit our PRC subsidiaries' ability to increase their registered capital or distribute profits.

SAFE promulgated the SAFE Circular 37 on July 4, 2014, which replaced the former circular commonly known as "SAFE Circular 75" promulgated by SAFE on October 21, 2005. SAFE Circular 37 and its implementing rules require PRC residents to register with banks designated by local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with the PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle." See "Regulatory Overview — Regulation of Foreign Exchange and Dividend Distribution — Foreign Exchange Registration of Overseas Investment by PRC Residents."

We have filed the above-mentioned foreign exchange registration on behalf of certain employee shareholders who we know are PRC residents pursuant to SAFE Circular 37. However, we may not be aware of the identities of all of our beneficial owners who are PRC residents. We do not have control over our beneficial owners, and there can be no assurance that all of our PRC-resident beneficial owners have complied with or will comply with SAFE Circular 37 and subsequent implementation rules. Some of our beneficial owners who hold our shares may have not duly filed and completed foreign exchange registration pursuant to SAFE Circular 37. The failure of our beneficial owners who are or were PRC residents to register or amend their SAFE registrations in a timely manner pursuant to SAFE Circular 37 and subsequent implementation rules, or the failure of future beneficial owners of our Company who are PRC residents to comply with the registration procedures set forth in SAFE Circular 37 and subsequent implementation rules, may subject the beneficial owners or our PRC subsidiaries to fines and legal sanctions.

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Furthermore, since those SAFE regulations, and any future regulation concerning offshore or cross-border transactions, will be subject to further interpretation, amendment and implementation by the relevant PRC government authorities, we cannot predict how these regulations will affect our business operations or future strategy. Failure to register or comply with relevant requirements may also limit our ability to contribute additional capital to our PRC subsidiaries and limit our PRC subsidiaries' ability to distribute dividends to our Company. These risks may have a material adverse effect on our business, financial condition and results of operations.

Any failure to comply with PRC regulations regarding our employee equity incentive plans may subject the PRC participants in the plans, us or our overseas and PRC subsidiaries to legal or administrative sanctions.

Pursuant to SAFE Circular 37, PRC residents who participate in share incentive plans in overseas non-publicly-listed companies may, prior to the exercise of an option, submit applications to SAFE or its local branches for the foreign exchange registration with respect to offshore special purpose companies. After the [REDACTED], our directors, executive officers and other employees who are PRC citizens or who are non-PRC citizens residing in the PRC for a continuous period of not less than one year, subject to limited exceptions, and whom we have granted RSUs, options or restricted shares, may follow the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), issued by SAFE in February 2012, to apply for the foreign exchange registration. According to those regulations, employees, directors and other management members participating in any stock incentive plan of an overseas publicly listed company who are PRC citizens or who are non-PRC citizens residing in China for a continuous period of not less than one year, subject to limited exceptions, are required to register with SAFE through a domestic qualified agent, which may be a PRC subsidiary of the overseas listed company, and complete certain other procedures. Failure to complete the SAFE registrations may subject them to fines and legal sanctions and may also limit their ability to make payment under the relevant equity incentive plans or receive dividends or sales proceeds related thereto in foreign currencies, or our ability to contribute additional capital into our domestic subsidiaries in China and limit our domestic subsidiaries' ability to distribute dividends to us. We also face regulatory requirements under PRC law that could restrict our ability to adopt additional equity incentive plans for our directors and employees.

In addition, the State Taxation Administration has issued circulars concerning employee RSUs, share options or restricted shares. Under these circulars, employees working in the PRC whose RSUs or restricted shares vest, or who exercise share options, will be subject to PRC individual income tax. The PRC subsidiaries of an overseas listed company have obligations to file documents related to employee RSUs, share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees related to their RSUs, share options or restricted shares. Although we currently withhold income tax from our PRC employees in connection with the vesting of their RSUs and restricted shares and their exercise

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of options, if the employees fail to pay, or the PRC subsidiaries fail to withhold, their income taxes according to relevant laws, rules and regulations, the PRC subsidiaries may face sanctions imposed by the tax authorities.

We rely to a significant extent on dividends, loans and other distributions on equity paid by our principal operating subsidiaries in China.

We are a holding company and rely to a significant extent on dividends, loans and other distributions on equity paid by our principal operating subsidiaries for our offshore cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders, fund inter-company loans, service any debt we may incur outside of China and pay our expenses. If our principal operating subsidiaries incur additional debt, the instruments governing the debt may restrict their ability to pay dividends or make other distributions or remittances, including loans, to us. Furthermore, the laws, rules and regulations applicable to our PRC subsidiaries and certain other subsidiaries permit payments of dividends only out of their retained earnings, if any, determined in accordance with applicable accounting standards and regulations.

Under PRC laws, rules and regulations, each of our subsidiaries incorporated in China is required to set aside a portion of its net income each year to fund certain statutory reserves. These reserves, together with the registered equity, are not distributable as cash dividends. As a result of these laws, rules and regulations, our subsidiaries incorporated in China are restricted in their ability to transfer a portion of their respective net assets to their shareholders as dividends. In addition, registered share capital and capital reserve accounts are also restricted from withdrawal in the PRC, up to the amount of net assets held in each operating subsidiary. As of June 30, 2023, our statutory reserve amounted to RMB858 million.

We may be treated as a resident enterprise for PRC tax purposes under the PRC EIT Law, and we may therefore be subject to PRC income tax on our global income.

Under the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), as amended (the “**EIT Law**”), enterprises established under the laws of jurisdictions outside of China with “*de facto* management bodies” located in China may be considered as PRC tax resident enterprises for tax purposes and may be subject to the PRC enterprise income tax at the rate of 25% on their global income. The State Taxation Administration issued Circular 82 on April 22, 2009, which was further amended on December 29, 2017. Circular 82 specifies certain criteria for determining whether the “*de facto* management body” of a Chinese-controlled, offshore-incorporated enterprise is located in China. See “Regulatory Overview — Regulations of Taxation — The PRC Enterprise Income Tax.” Although Circular 82 applies only to offshore enterprises controlled by PRC enterprises, and does not apply to offshore enterprises controlled by foreign enterprises or individuals, the determining criteria set forth in Circular 82 may reflect the PRC tax authorities’ general position on how the “*de facto* management body” test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises. If we were to be considered a PRC resident enterprise, we would be subject to PRC enterprise income tax at the

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rate of 25% on our global income. In this case, our profitability and cash flow may be materially reduced as a result of our global income being taxed under the EIT Law. We believe that none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, determination of the tax resident status of an enterprise, and the interpretation of the term “*de facto* management body” are subject to the PRC tax authorities.

Dividends payable to foreign investors and gains on the sale of our Shares by our foreign investors may become subject to PRC taxation.

Under the EIT Law and its implementation regulations, a 10% PRC withholding tax is applicable to dividends payable by a resident enterprise to investors that are non-resident enterprises, which do not have an establishment or place of business in the PRC or which have an establishment or place of business but the dividends are not effectively connected with the establishment or place of business, to the extent these dividends are derived from sources within the PRC, subject to any reduction set forth in applicable tax treaties. Similarly, any gain realized on the transfer of shares of a PRC resident enterprise by these investors is also subject to PRC tax at a current rate of 10%, subject to any exemption set forth in relevant tax treaties. If we are deemed a PRC resident enterprise, dividends paid on our ordinary shares, and any gain realized by the non-resident enterprise investors from the transfer of our ordinary shares, may be treated as income derived from sources within the PRC and as a result be subject to PRC taxation. See “Regulatory Overview — Regulations of Taxation — The PRC Enterprise Income Tax.” Furthermore, if we are deemed a PRC resident enterprise, dividends payable to individual investors who are non-PRC residents and any gain realized on the transfer of our ordinary shares by these investors may be subject to PRC tax at a current rate of 20%, subject to any reduction or exemption set forth in applicable tax treaties. It is unclear if we or any of our subsidiaries established outside of China are considered a PRC resident enterprise, whether holders of our ordinary shares would be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas and claim foreign tax credit if applicable. If dividends payable to our non-PRC investors, or gains from the transfer of our ordinary shares by these investors are subject to PRC tax, the value of your [REDACTED] in our ordinary shares may decline significantly.

Discontinuation of preferential tax treatments we currently enjoy or other unfavorable changes in tax law could result in additional compliance obligations and costs.

Chinese companies operating in the high-technology industry that meet relevant requirements may qualify for preferential tax treatment for high and new technology enterprises. For a qualified high and new technology enterprise, the applicable enterprise income tax rate is 15%. The high and new technology enterprise qualification is re-assessed by the relevant authorities every three years.

Some of our China operating entities enjoy the preferential tax treatment for high and new technology enterprises. There is no guarantee that these entities will be able to renew or maintain the above-mentioned qualifications when such qualifications expire or be able to meet new requirements under continuously evolving rules concerning preferential tax treatments,

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and if any of our China operating entities fails to do so, it will not be able to continue to enjoy the preferential tax treatments. The discontinuation of preferential tax treatment we enjoy could materially and adversely affect our results of operations. See “Financial Information — Taxation — PRC Corporate Income Tax.”

We and our Shareholders may be adversely affected by tax adjustments with respect to indirect transfers of equity interests in PRC resident enterprises or other assets attributed to a PRC establishment of a non-PRC company.

On February 3, 2015, the STA issued Bulletin 7, which has been further amended by Bulletin 37 issued by the STA on October 17, 2017 and amended on June 15, 2018. Pursuant to these bulletins, an “indirect transfer” of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of PRC taxable assets, if the arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from this indirect transfer may be subject to PRC enterprise income tax. See also “Regulatory Overview — Regulations of Taxation — The PRC Enterprise Income Tax.”

Bulletin 7 may be determined by the tax authorities to be applicable to some of our offshore restructuring transactions or sale of the shares of our offshore subsidiaries or investments where PRC taxable assets are involved. The transferors and transferees may be subject to the tax filing and the transferees may be subject to withholding or tax payment obligation, while our PRC subsidiaries may be requested to assist in the filing. Furthermore, we, our non-resident enterprises and PRC subsidiaries may be required to spend valuable resources to comply with Bulletin 7 or to establish that we and our non-resident enterprises should not be taxed under Bulletin 7, for our previous and future restructuring or disposal of shares of our offshore subsidiaries, which may have a material adverse effect on our financial condition and results of operations.

The PRC tax authorities have discretion under Bulletin 7 to make adjustments to the taxable capital gains based on the difference between the fair value of the taxable assets transferred and the cost of investment. If the PRC tax authorities make adjustments to the taxable income of the transactions under Bulletin 7, our income tax costs associated with potential acquisitions or disposals will increase, which may have an adverse effect on our financial condition and results of operations.

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

PRC laws and regulations require us to pay several statutory social welfare benefits for our employees, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund. The amounts of our contributions for our employees under such benefit plans are calculated based on certain percentage of salaries, including bonuses and allowances, up to a maximum amount specified by the local government from time to time at locations where we operate. During the Track Record Period, we had not made full contributions to the social insurance plan and housing provident fund based on the actual salary level of some of our employees as prescribed by relevant laws and regulations. As of the Latest Practicable Date, we have taken rectification measures and will make full contributions to such funds for these employees going forward. As of the Latest Practicable Date, there was no outstanding notice from such authorities that requires us to make payments or imposes upon us administrative penalties for insufficient contributions. As advised by our PRC Legal Adviser, the likelihood that we are subject to centralized collection of historical arrears and any material penalties due to our failure to provide full social insurance and housing provident funds contributions for our employees is remote, and such non-compliance will not have a material adverse effect on our financial condition or results of operations as a whole.

Regulations on currency exchange or outbound capital flows may limit our ability to utilize our PRC revenue effectively.

A substantial portion of our revenue is denominated in Renminbi. The Renminbi is currently convertible under the “current account,” which includes dividends, trade and service-related foreign exchange transactions, but requires approval from or registration with appropriate governmental authorities or designated banks under the “capital account,” which includes foreign direct investment and loans, including loans we may secure from our onshore subsidiaries or VIE. Currently, our PRC subsidiaries, that are foreign invested enterprises, may purchase foreign currency for settlement of “current account transactions,” including payment of dividends to us, without the approval of SAFE by complying with certain procedural requirements. However, it is possible that the relevant PRC governmental authorities may limit or restrict our ability to purchase foreign currencies in the future for current account transactions if we fail to meet any procedural requirements. Foreign exchange transactions under the capital account remain subject to limitations and require approvals from, or registration with, the SAFE and other relevant PRC governmental authorities.

Since a substantial portion of our PRC revenue is denominated in Renminbi, any existing and future regulatory requirements on currency exchange or outbound capital flows may limit our ability to utilize revenue generated in Renminbi to fund our business activities outside of the PRC, make investments, service any debt we may incur outside of China or pay dividends in foreign currencies to our shareholders, including holders of our Shares.

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It may be difficult to effect service of process upon us or our Directors or officers, or to enforce foreign judgements in the jurisdictions where we operate and where our assets are located.

Most of our assets are situated in Chinese Mainland and most of our Directors and officers named in this document reside in Chinese Mainland. As a result, it may be difficult to effect service of process outside Chinese Mainland upon most of our Directors and officers, including with respect to matters arising under applicable securities laws. Chinese Mainland does not have treaties providing for the reciprocal recognition and enforcement of judgment of courts with the United States, the United Kingdom and many other countries and regions. Consequently, it may be difficult for you to enforce against us or our Directors or officers in Chinese Mainland any judgments obtained from courts outside of Chinese Mainland.

On July 14, 2006, Hong Kong and Chinese Mainland entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “**2006 Arrangement**”), and promulgated on July 3, 2008, pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in Chinese Mainland. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in Chinese Mainland if the parties in dispute have not agreed to enter into a choice of court agreement in writing. Although the 2006 Arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the 2006 Arrangement may still be uncertain.

On January 18, 2019, the Supreme People’s Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “**2019 Arrangement**”), which seeks to establish a bilateral legal mechanism that provides clarity and certainty for the recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong and Chinese Mainland, based on criteria other than a written choice of court agreement. The 2006 Arrangement will be superseded upon the effectiveness of the 2019 Arrangement. Although the 2019 Arrangement has been signed, it remains unclear as to its effective date and uncertain as to the outcome and effectiveness of any action brought under the 2019 Arrangement.

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RISKS RELATED TO THE [REDACTED]

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

Prior to the completion of the [REDACTED], there has been no public market for our Shares. There can be no guarantee that an active trading market for our Shares will develop or be sustained after completion of the [REDACTED]. The [REDACTED] is the result of negotiations between our Company and the [REDACTED] (for themselves and on behalf of the [REDACTED]), which may not be indicative of the price at which our Shares will be [REDACTED] following completion of the [REDACTED]. The [REDACTED] of our Shares may drop below the [REDACTED] at any time after completion of the [REDACTED].

The [REDACTED] of the Shares may be volatile which could result in substantial losses to you.

The [REDACTED] of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, Chinese Mainland, the United States and elsewhere in the world. In particular, the performance and fluctuation of the [REDACTED] of other companies with business operations located mainly in Chinese Mainland that have listed their securities in Hong Kong may affect the volatility in the price of and trading volume for our Shares. A number of China-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their [REDACTED]. The trading performances of the securities of these companies at the time of or after their [REDACTED] may affect the overall investor sentiment towards China-based companies listed in Hong Kong and consequently may impact the [REDACTED] of our Shares. These broad market and industry factors may significantly affect the [REDACTED] and volatility of our Shares, regardless of our actual operating performance, and may result in losses on your [REDACTED] in our Shares.

In addition to market and industry factors, the prices and trading volume for our Shares may be highly volatile for specific reasons, including:

- variations in our results of operations or earnings that are not in line with market or securities research analyst expectations or changes in financial estimates by securities research analysts;
- regulatory developments, including new laws and regulations issued and the overall trend of government enforcement actions;
- publication of operating or industry metrics by third parties, including government statistical agencies, that differ from expectations of industry or securities research analysts;

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- announcements made by us or our competitors of new product and service offerings, acquisitions, strategic relationships, joint ventures or capital commitments;
- media and other reports, whether or not comprehensive or true, about our business, our Directors and management, or our customers and logistics partners, including negative reports published by short sellers, regardless of their veracity or materiality to us;
- litigation and regulatory allegations or proceedings that involve us or our customers or logistics partners;
- changes in pricing we or our competitors adopt;
- additions to or departures of our management or other key personnel;
- actual or perceived general industry, regulatory, economic and business conditions and trends in China and globally, due to various reasons, including changes in geopolitical landscape;
- some investors or analysts may invest in or value our Shares based on the economic performance of the Chinese economy, which may not be correlated to our financial performance;
- the inclusion, exclusion, or removal of our Shares from market indices;
- market or social instability or disruptions, pandemics or epidemics and other disruptions to China’s economy or the global economy, and actual or perceived social unrest;
- fluctuations of exchange rates among the Renminbi, the Hong Kong dollar and the U.S. dollar; and
- sales or perceived potential sales or other dispositions of existing or additional Shares.

Any of these factors may result in large and sudden changes in the volume and [REDACTED] of our Shares. In addition, the stock market has from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies and industries. These fluctuations may include a so-called “bubble market” in which investors temporarily raise the price of the stocks of companies in certain industries, such as the technology industry, to unsustainable levels. These market fluctuations may significantly affect the [REDACTED] of our Shares.

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The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors, executive officers and substantial Shareholders, could adversely affect the [REDACTED] of our Shares.

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

The Shares held by our substantial Shareholders are subject to certain lock-up periods beginning on the date on which [REDACTED] in our Shares commences on the Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future. In addition, certain existing Shareholders are not subject to lock-up agreements. Market sale of Shares by such Shareholders and the availability of these Shares for future sale may have a negative impact on the [REDACTED] of our Shares. See "History and Corporate Structure — Pre-[REDACTED] Investments" for more details of the existing shareholders not subject to lock-up agreements.

Purchasers of our Shares in the [REDACTED] will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

The initial [REDACTED] of our Shares is higher than the net tangible assets per Share of the outstanding Shares issued to our existing shareholders immediately prior to the [REDACTED]. Therefore, purchasers of our Shares in the [REDACTED] will experience an immediate dilution in terms of the pro forma net tangible asset value. In addition, we may consider [REDACTED] and issuing additional Shares or equity-related securities in the future to raise additional funds, finance acquisitions or for other purposes. Purchasers of our Shares may experience further dilution in terms of the net tangible asset value per Share if we issue additional Shares in the future at a price that is lower than the net tangible asset value per Share. Furthermore, we may issue Shares pursuant to any existing or future share option incentive scheme, which would further dilute our Shareholders' interests in our Company.

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

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

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

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

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

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There will be a time gap of several business days between [REDACTED] and [REDACTED] of our Shares [REDACTED] in the [REDACTED]. Holders of our Shares are subject to the risk that [REDACTED] of our Shares could fall during the period before [REDACTED] of our Shares begins.

The [REDACTED] of our Shares is expected to be determined on the [REDACTED]. However, our Shares will not commence [REDACTED] on the Stock Exchange until they are delivered, which is expected to be several Hong Kong business days after the [REDACTED]. As a result, [REDACTED] may not be able to sell or deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before [REDACTED] begins as a result of unfavorable market conditions, or other adverse developments, that could occur between the time of sale and the time [REDACTED] begins.

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various government publications, market data providers and other independent third-party sources, including the industry expert reports, contained in this document.

This document, particularly the section headed "Industry Overview," contains information and statistics relating to the logistics market. Such information and statistics have been derived from third-party reports, either commissioned by us or publicly accessible and other publicly available sources. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such source materials. The information has not been independently verified by us, the [REDACTED], the [REDACTED], the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED] or any other party involved in the [REDACTED], and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In any event, you should consider carefully the importance placed on such information or statistics.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us, the [REDACTED] or our [REDACTED].

We strongly caution you not to rely on any information contained in press articles or other media regarding us, the [REDACTED] or the [REDACTED]. Prior to the publication of this document, there has been press and media coverage regarding us, the [REDACTED] and the [REDACTED]. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press

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or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and you should not rely on such information.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

In preparation for the [REDACTED], our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemptions from the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. We do not, and will not, in the foreseeable future, have sufficient management presence in Hong Kong for the purposes of Rule 8.12 of the Listing Rules.

Our Group's management headquarters, senior management, business operations and assets are primarily based outside Hong Kong. Our Company considers that the appointment of executive Directors who will be ordinarily resident in Hong Kong or the relocation of our existing Directors to Hong Kong would not be beneficial to, or appropriate for, our Group and therefore would not be in the best interests of our Company or the Shareholders as a whole.

Accordingly, we have applied to the Stock Exchange for[, and the Stock Exchange has granted,] a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

- (a) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorized representatives who shall act at all times as the principal channel of communication with the Stock Exchange. Each of our authorized representatives will be readily contactable by the Stock Exchange by telephone and/or e-mail to deal promptly with enquiries from the Stock Exchange. Both of our authorized representatives are authorized to communicate on our behalf with the Stock Exchange. At present, our two authorized representatives are Mr. Zheng LIU (劉政) and Ms. Lan YAO (姚蘭);
- (b) we will implement a policy to provide the contact details of each Director to the Stock Exchange, their alternate representative and to the authorized representatives. This will ensure that the Stock Exchange, their alternate representative and the authorized representatives should have means for contacting all Directors promptly at all times as and when required, including means to communicate with our Directors when they are traveling;

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- (c) in compliance with Rule 3A.19 of the Listing Rules, we have appointed CITIC Securities (Hong Kong) Limited as our compliance adviser who will act as an additional channel of communication between the Stock Exchange and our Company for the period commencing on the [REDACTED] and ending on the date that our Company publishes our financial results for the first full financial year after the [REDACTED] pursuant to Rule 13.46 of the Listing Rules;
- (d) any meeting between the Stock Exchange and our Directors may be arranged through our authorized representatives within a reasonable time frame;
- (e) we will inform the Stock Exchange promptly in respect of any change in our authorized representatives and/or our compliance adviser;
- (f) we will ensure that each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong for business purposes and can meet with the Stock Exchange upon reasonable notice; and
- (g) we will retain a Hong Kong legal adviser to advise us on the on-going compliance requirements, any amendment or supplement to and other issues arising under the Listing Rules and other applicable Hong Kong laws and regulations after the [REDACTED].

WAIVER IN RESPECT OF OUR JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (i) a member of The Hong Kong Chartered Governance Institute;
- (ii) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and
- (iii) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing “relevant experience”, the Stock Exchange will consider the individual’s:

- (i) length of employment with the issuer and other issuers and the roles they played;
- (ii) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (iv) professional qualifications in other jurisdictions.

Our Company has appointed Ms. Lan YAO (姚蘭) (“**Ms. Yao**”), our head of legal and compliance department, and Ms. Wai Kam NG (伍偉琴) (“**Ms. Ng**”), as joint company secretaries. See “Directors and Senior Management — Joint Company Secretaries” for their biographies.

Ms. Ng is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as “The Institute of Chartered Secretaries and Administrators”) in the United Kingdom, and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

Our Company appreciates that the company secretary will play an important role in our corporate governance following the [REDACTED], particularly in assisting our Company and our Directors in complying with the Listing Rules and other applicable company and securities laws and regulations. Our Company considers that Ms. Yao, by virtue of her professional knowledge having worked as a legal counsel in the PRC and her experience in handling our Group’s legal, compliance and corporate secretarial matters, would be capable of discharging her functions as the company secretary. Further, we believe that it would be in the best interests of our Company and the corporate governance of our Group to have Ms. Yao as our joint company secretary, who has the knowledge and experience in overseeing our Group’s business and operations.

While Ms. Yao does not possess the formal qualifications required of a company secretary, we have applied for[, and the Stock Exchange has granted,] a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules for a three-year period from the [REDACTED] subject to the condition that (i) Ms. Ng is appointed as a joint company secretary throughout the three-year period to assist Ms. Yao in discharging her functions as a company secretary and in gaining the relevant experience as required under Rule 3.28 of the Listing Rules; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

In support of the waiver application, we will also adopt the following arrangements:

- (a) Ms. Ng will work closely with Ms. Yao to jointly discharge the duties and responsibilities as our joint company secretaries and to assist Ms. Yao to acquire the relevant experience as required under the Listing Rules for an initial period of three years from the date of the [REDACTED], a period which should be sufficient for Ms. Yao to acquire the relevant experience as required under Rule 3.28 of the Listing Rules;
- (b) our Company will ensure that Ms. Yao continues to have access to the relevant training and support in relation to the Listing Rules and the duties required of a company secretary of an issuer [REDACTED] on the Stock Exchange; and
- (c) prior to the end of the three-year period, the qualifications and experience of Ms. Yao and the need for on-going assistance of Ms. Ng will be further evaluated by our Company. Our Company will then endeavour to demonstrate to the Stock Exchange's satisfaction that Ms. Yao, having had the benefit of the assistance of Ms. Ng for the immediately preceding three years, has acquired the relevant experience (within the meaning of Note 2 to Rule 3.28 of the Listing Rules) such that a further waiver from Rules 3.28 and 8.17 of the Listing Rules will not be necessary.

WAIVER IN RESPECT OF THE PRE-[REDACTED] ESOP DISCLOSURE REQUIREMENTS

The Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance prescribe certain disclosure requirements in relation to the share options and awards granted by our Company (the "**Pre-[REDACTED] ESOP Disclosure Requirements**"):

- (a) Rule 17.02(1)(b) of the Listing Rules stipulates that all material terms of a scheme must be clearly set out in this document. Our Company is also required to disclose in this document full details of all outstanding options and awards and their potential dilution effect on the shareholdings upon [REDACTED] as well as the impact on the earnings per share arising from the issue of shares in respect of such outstanding options or awards;
- (b) Paragraph 27 of Appendix 1A to the Listing Rules requires our Company to set out in this document particulars of any capital of any member of our Group that is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee; and
- (c) Under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the number, description and amount of any shares in or debentures of our Company which any person has, or is entitled to be given, an option to subscribe for, together with the particulars of the option, that is to say, (a) the period during which it is exercisable; (b) the price to be paid for

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shares or debentures subscribed for under it; (c) the consideration (if any) given or to be given for it or for the right to it; and (d) the names and addresses of the persons to whom it or the right to it was given or, if given to existing shareholders or debenture holders as such, the relevant shares or debentures must be specified in this document.

As of the Latest Practicable Date, our Company had granted outstanding options under the Pre-[REDACTED] Equity Incentive Plans to 10,774 grantees, including 2 Directors, 1 member of senior management, 4 other connected persons of our Company and 10,767 other employees, consultants and/or other service providers of our Group and Alibaba Group and its associated companies (as applicable), to subscribe for an aggregate of 1,922,720,660 Shares, representing [REDACTED]% of the total number of Shares in issue immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised and excluding Shares to be issued under the Pre-[REDACTED] Equity Incentive Plans and the Post-[REDACTED] Equity Incentive Plan). See "Statutory and General Information — D. Equity Incentive Plans" in Appendix V to this document for further details of the Pre-[REDACTED] Equity Incentive Plans.

We have applied to: (i) the Stock Exchange for a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules; and (ii) the SFC for a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, respectively, on the ground that strict compliance with the above requirements would be unduly burdensome for our Company and the exemption would not prejudice the interests of the [REDACTED] for the following reasons:

- (a) given that 10,774 grantees are involved for the granting of options, strict compliance with such disclosure requirements in setting out full details of all the grantees under the Pre-[REDACTED] Equity Incentive Plans in this document would be costly and unduly burdensome for us in light of a significant increase in cost and timing for information compilation and [REDACTED] preparation. For example, we would need to collect and verify the addresses of over 10,000 grantees to meet the disclosure requirement. Further, the disclosure of the personal details of each grantee, including their names, addresses and the number of options granted, may require obtaining consent from the grantees in order to comply with personal data privacy laws and principles and it would be unduly burdensome for our Company to obtain such consents given the number of grantees;
- (b) as of the Latest Practicable Date, among all the grantees, save for 2 Directors, 1 member of senior management and 4 other connected persons of our Company, the remaining 10,767 grantees were other employees, consultants and/or other service providers of our Group and Alibaba Group and its associated companies (as applicable) and are not connected persons of our Company. Strict compliance with the above requirements to disclose names, addresses, and entitlements on an individual basis will require substantial number of pages of additional disclosure that does not provide any material information to the [REDACTED];

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- (c) the 10,767 grantees who are not Directors, members of senior management or connected persons of our Company, have been granted outstanding options under the Pre-[REDACTED] Equity Incentive Plans to acquire an aggregate of 1,828,289,492 Shares, representing [REDACTED]% of the total number of Shares in issue immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised and excluding Shares to be issued under the Pre-[REDACTED] Equity Incentive Plans and the Post-[REDACTED] Equity Incentive Plan), and exercise in full of the options under the Pre-[REDACTED] Equity Incentive Plans will not cause any material adverse impact to our financial position;

- (d) material information on the options under the Pre-[REDACTED] Equity Incentive Plans has been disclosed in this document to provide prospective [REDACTED] with sufficient information to make an informed assessment of the potential dilutive effect and impact on earnings per Share of the options in making their [REDACTED] decision, and such information includes:
 - (i) summary of the latest terms of the Pre-[REDACTED] Equity Incentive Plans;

 - (ii) the aggregate number of Shares subject to the outstanding options and the percentage of our Shares of which such number represents;

 - (iii) the dilutive effect and the impact on earnings per Share upon full exercise of the outstanding options immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised and excluding Shares to be issued pursuant to the Pre-[REDACTED] Equity Incentive Plans and the Post-[REDACTED] Equity Incentive Plan);

 - (iv) full details of the outstanding options granted to the Directors and members of the senior management and connected persons (if any) of our Company, on an individual basis, are disclosed in this document, and such details include all the particulars required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part 1 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

 - (v) with respect to the outstanding options granted to other grantees (other than those referred to in (iv) above), the following details will be disclosed in this document, including the aggregate number of such grantees and the number of Shares subject to the options, the consideration paid for the grant of the options and the exercise and vesting period of the options and the exercise price for the options; and

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- (vi) the particulars of the waiver and exemption granted by the Stock Exchange and the SFC, respectively,

the above disclosure is consistent with the conditions ordinarily expected by the Stock Exchange in similar circumstances as set out in the Guidance Letter HKEX-GL11-09 issued by the Stock Exchange; and

- (e) our Directors consider that the lack of full compliance with the above disclosure requirements would not prevent us from providing our potential [REDACTED] with an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Company.

The Stock Exchange [has granted] to us a waiver from strict compliance with the applicable Pre-[REDACTED] ESOP Disclosure Requirements on the condition that:

- (i) on an individual basis, full details of the options granted under the Pre-[REDACTED] Equity Incentive Plans to each of our Directors, senior management and other connected persons of our Company, will be disclosed in the section headed "Statutory and General Information — D. Equity Incentive Plans — 4. Outstanding Options Granted under the Pre-[REDACTED] Equity Incentive Plans" in Appendix V to this document as required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (ii) in respect of the options granted under the Pre-[REDACTED] Equity Incentive Plans to grantees other than those referred to in paragraph (i) above, disclosure will be made, on an aggregate basis, of (1) the aggregate number of the grantees other than those set out in paragraph (i) above and the number of Shares underlying the options granted to them under the Pre-[REDACTED] Equity Incentive Plans; (2) the consideration (if any) paid for the grant of the options under the Pre-[REDACTED] Equity Incentive Plans; and (3) the exercise and vesting period of the options and the exercise price of the options granted under the Pre-[REDACTED] Equity Incentive Plans;
- (iii) the aggregate number of Shares underlying the outstanding options granted under the Pre-[REDACTED] Equity Incentive Plans and the percentage to our total issued share capital represented by such number of Shares as of the Latest Practicable Date will be disclosed in this document;
- (iv) the dilutive effect and impact on earnings per Share upon the full exercise of the options under the Pre-[REDACTED] Equity Incentive Plans will be disclosed in the section headed "Statutory and General Information — D. Equity Incentive Plans — 4. Outstanding Options Granted under the Pre-[REDACTED] Equity Incentive Plans" in Appendix V to this document;

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- (v) summary of the major terms of the Pre-[REDACTED] Equity Incentive Plans will be disclosed in the section headed "Statutory and General Information — D. Equity Incentive Plans" in Appendix V to this document;
- (vi) the grant of a certificate of exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance from the SFC exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and
- (vii) the particulars of the waiver will be disclosed in this document.

The SFC [has granted] to our Company a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the condition that:

- (i) on an individual basis, full details of the options granted under the Pre-[REDACTED] Equity Incentive Plans to each of our Directors, senior management and other connected persons of our Company, will be disclosed in the section headed "Statutory and General Information — D. Equity Incentive Plans — 4. Outstanding Options Granted under the Pre-[REDACTED] Equity Incentive Plans" in Appendix V to this document as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (ii) in respect of the options granted under the Pre-[REDACTED] Equity Incentive Plans to grantees other than those referred to in paragraph (i) above, disclosure will be made, on an aggregate basis, of (1) the aggregate number of the grantees other than those set out in paragraph (i) above and the number of Shares underlying the options granted to them under the Pre-[REDACTED] Equity Incentive Plans; (2) the consideration (if any) paid for the grant of the options under the Pre-[REDACTED] Equity Incentive Plans; and (3) the exercise and vesting period of the options and the exercise price of the options granted under the Pre-[REDACTED] Equity Incentive Plans; and
- (iii) the particulars of the exemption will be disclosed in this document and this document will be issued on or before [REDACTED].

**WAIVER IN RESPECT OF THE DISCLOSURE REQUIREMENTS WITH RESPECT TO
CHANGES IN SHARE CAPITAL**

We have applied for[, and the Stock Exchange has granted,] a waiver from strict compliance with the requirements of paragraph 26 of Appendix 1A to the Listing Rules in respect of disclosing the particulars of any alterations in the capital of any member of our Group within two years immediately preceding the issue of this document.

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We have identified 14 entities that we consider are the major subsidiaries primarily responsible for the track record results of our Group (the “**Major Subsidiaries**”, and each a “**Major Subsidiary**”). For further details, see “History and Corporate Structure — Our Major Subsidiaries”. Globally, our Group has approximately 402 subsidiaries and consolidated affiliated entities across a number of different jurisdictions as of the Latest Practicable Date. None of the non-Major Subsidiaries is individually material to us in terms of its contribution to our Company’s total revenue or holds any major assets or intellectual property rights. It would be unduly burdensome for our Company to disclose particulars of any alterations in the capital of all of the subsidiaries, which would not be material or meaningful to [REDACTED]. By way of illustration, for each of the financial years ended March 31, 2021, 2022 and 2023 and the three months ended June 30, 2023, the aggregate revenue of our Major Subsidiaries represented approximately 98.7%, 98.8%, 98.1% and 97.5% of our Group’s total revenue, respectively. Accordingly, the remaining subsidiaries in our Group are not significant to the overall operations and financial results of our Group.

Particulars of the changes in the share capital of our Company and the Major Subsidiaries have been disclosed in “Statutory and General Information — A. Further Information about Our Group — 2. Changes in the Share Capital of Our Company” and “Statutory and General Information — A. Further Information about Our Group — 4. Changes in the Share Capital of Our Major Subsidiaries” in Appendix V to this document.

WAIVER IN RESPECT OF CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions that will constitute partially exempt or non-exempt continuing connected transactions of our Company under the Listing Rules upon the [REDACTED]. Accordingly, we have applied to the Stock Exchange for[, and the Stock Exchange has granted,] waivers in relation to certain continuing connected transactions between us and certain connected persons under Chapter 14A of the Listing Rules. For further details in this respect, see “Connected Transactions” in this document.

WAIVER IN RESPECT OF DISCLOSURE OF INTERESTS INFORMATION

As disclosed in the prospectus of Alibaba dated November 15, 2019, Alibaba is subject to the U.S. Exchange Act, which requires any person (including directors and officers of the company concerned) who acquires beneficial ownership, as determined in accordance with the rules and regulations of the U.S. SEC, and which includes the power to direct the voting or the disposition of the securities of more than 5% of a class of equity securities registered under Section 12 of the U.S. Exchange Act, to file beneficial ownership reports with the U.S. SEC. Such persons must also promptly report any material change in the information provided (including any acquisition or disposition of 1% or more of the class of equity securities concerned), unless exceptions apply.

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Alibaba applied for, and was granted, (a) a partial exemption by the SFC under section 309(2) of the SFO from the provisions of Part XV of the SFO (other than Divisions 5, 11 and 12 of Part XV of the SFO); and (b) a waiver by the Stock Exchange from strict compliance with Practice Note 5 and paragraphs 41(4) and 45 of Appendix 1A to the Listing Rules subject to the conditions that:

- (i) the bulk of trading in the shares of Alibaba is not considered to have migrated to Hong Kong on a permanent basis in accordance with Rule 19C.13 of the Listing Rules;
- (ii) the disclosures of interests filed with the U.S. SEC are also filed with the Stock Exchange as soon as practicable, which will then publish such disclosures in the same manner as disclosures made under Part XV of the SFO; and
- (iii) Alibaba shall advise the SFC if there is any material change to any of the information which has been provided to the SFC, including any significant changes to the disclosure requirements in the United States and any significant changes in the volume of Alibaba's worldwide share turnover that takes place on the Stock Exchange.

We have applied for[, and the SFC has granted,] a certificate of exemption from strict compliance with Part XV of the SFO (other than Divisions 5, 11 and 12 of Part XV of the SFO) to the directors or chief executives of our Company who is/are also a director or chief executive of Alibaba from time to time (the "**Common Director(s)/Chief Executive(s)**") with respect to their disclosure of interest, and short positions, in any shares in Alibaba and associated corporations of our Company which are subsidiaries of Alibaba (the "**Associated Corporations**"), subject to the conditions that:

- (i) our Company continues to be a subsidiary of Alibaba;
- (ii) Alibaba maintains its secondary listing on the Stock Exchange pursuant to Chapter 19C of the Listing Rules;
- (iii) the Common Director(s)/Chief Executive(s) must file with the Stock Exchange all disclosure of interests notices filed with the U.S. SEC in respect of interests in Alibaba and the Associated Corporations as soon as practicable on the basis that the Stock Exchange will publish these disclosures in the same way as those it receives from other [REDACTED] corporations pursuant to Part XV of the SFO;
- (iv) our Company shall advise the SFC if there is any change to the Common Director(s)/Chief Executive(s) set out in our Company's SFO Part XV exemption application to the SFC; and

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- (v) our Company shall advise the SFC if there is any material change to any of the information which has been provided to the SFC, including any significant changes to the disclosure requirements in the United States or any material change to the facts set out in our Company's SFO Part XV exemption application to the SFC. As of the Latest Practicable Date, the Common Directors/Chief Executives are Mr. Joseph C. TSAI (蔡崇信), Ms. Shan DAI (戴珊), Mr. Fan JIANG (蔣凡) and Mr. Lin WAN (萬霖).

For the avoidance of doubt, this exemption does not apply to disclosure obligations of (i) our Company's directors or chief executives in respect of their interests, and short positions, in any shares in our Company (or any of its subsidiaries or 20%-owned corporations) and their interests in any debentures of our Company (or any of its subsidiaries or 20%-owned corporations), and (ii) the Common Director(s)/Chief Executive(s) who are already subject to disclosure requirements under Part XV of the SFO in relation to their respective interests in Associated Corporations, which are or will become "listed corporations" as defined under Part XV of the SFO, and the disclosure obligations of which have not been waived by the SFC.

The exemption is given based on the particular circumstances of our Company and should not be regarded as a precedent for other applications. This exemption may be re-considered by the SFC in the event there is any material change in the information provided to the SFC.

We have also applied for[, and the Stock Exchange has granted,] a waiver from strict compliance with Practice Note 5 and paragraphs 41(4) and 45 of Appendix 1A to the Listing Rules such that the Common Director(s)/Chief Executive(s) will not be required to disclose their interests and short positions in any shares or underlying shares in the Associated Corporations in accordance with Part XV of the SFO, subject to the conditions that: (i) the SFC granting the Common Director(s)/Chief Executive(s) a partial exemption from strict compliance with Part XV of the SFO; and (ii) Alibaba maintains its secondary listing on the Stock Exchange under Chapter 19C of the Listing Rules.

WAIVER IN RESPECT OF ACQUISITION AFTER THE TRACK RECORD PERIOD

Pursuant to Rules 4.04(2) and 4.04(4)(a) of the Listing Rules, the accountants' report to be included in a listing document must include the income statements and balance sheet of any business or subsidiary acquired, agreed to be acquired or proposed to be acquired since the date to which the latest audited accounts of the issuer have been made up in respect of each of the three financial years immediately preceding the issue of the listing document.

Pursuant to Rule 4.02A of the Listing Rules, acquisitions of business include acquisitions of associates and any equity interest in another company. Pursuant to Note 4 to Rule 4.04 of the Listing Rules, the Stock Exchange may consider granting a waiver of the requirements under Rules 4.04(2) and 4.04(4) of the Listing Rules on a case-by-case basis, and having regard to all relevant facts and circumstances and subject to certain conditions set out thereunder.

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Background to the acquisition

On June 5, 2023, Zhejiang Cainiao, our wholly-owned subsidiary, entered into a share transfer agreement with Shanghai De’e Industrial Development Co., Ltd.* (上海德峨實業發展有限公司) (“**Shanghai De’e**”), a wholly-owned subsidiary of Alibaba, pursuant to which Shanghai De’e agreed to transfer to our Company all of its equity interest in STO Express Co., Ltd.* (申通快遞股份有限公司) (“**STO**”), representing approximately 25% of the issued share capital of STO, at a total consideration of approximately RMB3,878 million. The purchase price was RMB10.134 per share, which was determined after arm’s length negotiation with reference to the average closing price of STO’s shares preceding the date of the share transfer agreement. The consideration was settled by cash upon completion of the transaction on August 31, 2023. Upon completion of the Post-TRP Acquisition, our Company holds approximately 25% of the issued share capital of STO (the “**Post-TRP Acquisition**”).

STO is a company listed on the Shenzhen Stock Exchange (002468.SZ) and is principally engaged in providing express delivery services in China.

The Post-TRP Acquisition is an internal transfer between two subsidiaries of Alibaba, and is part of the initiative of implementing the new organization and governance structure as announced by Alibaba on March 28, 2023, under which Alibaba will have six major business groups and other investments, each to be independently managed by its own chief executive and board of directors. The purpose of the Post-TRP Acquisition is to consolidate Alibaba’s investment into the relevant business line under the new organization and governance structure.

In light of the Post-TRP Acquisition, under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules, we are required to present in its listing document the financial information of STO during the Track Record Period.

Accordingly, we have applied to the Stock Exchange for[, and the Stock Exchange has granted], a waiver from strict compliance with Rules 4.04(2) and 4.04(4)(a) of the Listing Rules in respect of the Post-TRP Acquisition on the following grounds:

It would be impracticable and unduly burdensome to our Company and its shareholders.

- (a) we have no access to the books and records of STO for conducting an audit given that (i) we will not have any control over STO, nor will we have any control over its board of directors, or be in a position to consolidate the financials of STO; and (ii) STO is a public company listed on the Shenzhen Stock Exchange and would not be in a position to allow us to access their books and records as it would contravene the fair disclosure principle under the PRC laws and regulations;

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- (b) the financial statements of STO have been prepared in accordance with the China Accounting Standards for Business Enterprise. Even if we were granted access to STO’s books and records, it would be time consuming and unduly burdensome for us and our auditors to review and arrange for the relevant financial information to be drawn up in conformity with IFRS;

The requested waiver would not prejudice the interests of the [REDACTED].

- (c) the equity interest of STO acquired will only be accounted for as an investment in associate and STO’s financials will not be consolidated into our financials. The Post-TRP Acquisition will not result in any significant change to our financial position since June 30, 2023;
- (d) STO has been publishing its financial statements pursuant to the relevant rules of the Shenzhen Stock Exchange, which are accessible by [REDACTED] and provide adequate information for them to make an assessment of STO’s financial position during the Track Record Period and evaluate the financial impact associated with our investment in STO;
- (e) for the purpose of illustrating the financial effect of the Post-TRP Acquisition on our Group, we have included the illustrative unaudited pro forma consolidated statement of assets and liabilities of our Group as if the Post-TRP Acquisition had been completed (the “**Unaudited Pro Forma Financial Information of the Group**”) in Appendix II to this document pursuant to Rule 4.28 of the Listing Rules, which will enable [REDACTED] to evaluate the financial impact associated with our investment in STO;

Alternative disclosure of the Post-TRP Acquisition in this document.

- (f) we have provided in this document alternative information in connection with the Post-TRP Acquisition that would be required for a discloseable transaction under Chapter 14 of the Listing Rules in order to compensate for the non-inclusion of historical financial information of STO; and
- (g) in addition, we have included in this document extracts of the consolidated income statements and consolidated balance sheets that were previously published by STO for each of the years ended December 31, 2020, 2021 and 2022 and the three months ended March 31, 2023, and the Unaudited Pro Forma Financial Information of the Group to provide [REDACTED] with more information on the financial effect of the Post-TRP Acquisition. See “Unaudited Pro Forma Financial Information” in Appendix II to this document and “Extracts of Certain Financial Information of STO” in Appendix III to this document. Our Company is of the view that the current disclosure is adequate for potential [REDACTED] to form an informed assessment of the financial position of our Company.

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WAIVER IN RESPECT OF PROPOSED REIT SPIN-OFF

We intend to spin-off certain of our logistics properties (the “**Logistics Properties**”) as C-REIT for listing on the Shanghai Stock Exchange (the “**Proposed REIT Spin-off**”), and have filed our preliminary eligibility assessment application with the relevant PRC regulatory authority.

The following are the details of the Logistics Properties to be spun-off:

No.	Logistics Properties	Location	Effective Interests held by the Company	GFA <i>(sq.m.)</i>	Year of Completion/ Acquisition	Status	Total Valuation ⁽¹⁾ <i>(RMB million)</i>
1.	Chongqing 1	Chongqing, PRC	100%	66,580	2017	Completed	256
2.	Chongqing 2	Chongqing, PRC	100%	87,704	2017	Completed	347
3.	Chongqing 3	Chongqing, PRC	100%	73,434	2018	Completed	295
4.	Shaoxing	Shaoxing, PRC	100%	57,452	2015	Completed	256
5.	Jiaxing 1	Jiaxing, PRC	100%	95,583	2016	Completed	423
6.	Jiaxing 2	Jiaxing, PRC	100%	88,681	2017	Completed	418
7.	Jiaxing 3	Jiaxing, PRC	100%	104,784	2017	Completed	556
8.	Jiaxing 4	Jiaxing, PRC	100%	123,093	2018	Completed	523
9.	Chengdu 1	Chengdu, PRC	100%	181,454	2018	Completed	928
10.	Chengdu 2	Chengdu, PRC	100%	22,279	2022	Completed	121

Note:

(1) Total valuation as of June 30, 2023.

The Proposed REIT Spin-off will be subject to compliance with all applicable requirements under the Listing Rules, including, without limitation, Practice Note 15 to the Listing Rules (Practice with Regard to Proposals Submitted by Issuers to Effect the Separate Listing on the Hong Kong Stock Exchange or Elsewhere of Assets or Businesses Wholly or Partly Within their Existing Groups) (“**Practice Note 15**”), unless otherwise waived by the Stock Exchange.

Paragraph 3(b) of Practice Note 15 currently provides that the Stock Exchange would not normally approve a spin-off within three years of the date of the listing of the parent. We have applied for[, and the Stock Exchange has granted] us, a waiver from the strict compliance with the three-year restriction requirement under paragraph 3(b) of Practice Note 15, subject to the following conditions:

- (a) our Company has identified the Logistics Properties to be potentially spun-off as C-REIT, and the valuation of such Logistics Properties shall not exceed 5.8% of our total assets which, based on our total assets of RMB71,850.9 million as of March 31, 2023; and

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- (b) our Company shall disclose in this document details of each of the Logistics Properties to be potentially spun-off by our Group, including their locations and GFA, the interest of our Company in each of them, the year of completion/acquisition, the status of completion (where applicable) and the valuation.

Practice Note 15 applications to be made for each proposed REIT spin-off

[Notwithstanding the waiver to be granted], we shall, prior to any new REIT spin-off of our assets through a listing on the Stock Exchange or elsewhere within three years after the [REDACTED], submit a separate application to the Stock Exchange on a standalone basis to ensure that the applicable listing eligibility requirements as well as all the other Practice Note 15 requirements (save for paragraph 3(b) thereof) will be fully satisfied. Among other requirements, our Company will need to demonstrate to and satisfy the Stock Exchange that the proposed REIT spin-off (if any) is beneficial to our Company and our shareholders as a whole.

Continued compliance with Chapters 14 and 14A of the Listing Rules

Any disposal of assets to a private fund or public REIT in the ordinary course of business of our Company shall still be subject to the requirements under Chapter 14 and/or Chapter 14A of the Listing Rules (as applicable) after the [REDACTED], i.e. depending on the scope and value of the assets to be disposed, it may trigger the corresponding announcement and/or shareholders' approval requirements under Chapter 14 of the Listing Rules, and depending on our interests in the relevant private fund or public REIT, and the connected persons and/or their associates' interests in the relevant private fund or public REIT, it may trigger further compliance obligations by our Company under Chapter 14A of the Listing Rules governing connected transactions. Our Company shall fully comply with the applicable Listing Rules, and such disposal in the ordinary course of business of our Company will not prejudice the interest of the shareholders of our Company.

[REDACTED]

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING
RULES AND EXEMPTIONS FROM THE COMPANIES (WINDING UP
AND MISCELLANEOUS PROVISIONS) ORDINANCE**

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
<i>Executive Directors and Non-Executive Directors</i>		
Mr. Joseph C. TSAI (蔡崇信)	70 Deep Water Bay Road Hong Kong	Canadian
Ms. Shan DAI (戴珊)	Flat B, 3/F, Tower 2 Mount Regalia 23 Lai Ping Road Shatin Hong Kong	Singaporean
Mr. Fan JIANG (蒋凡)	2-2-1401, Gantangyuan Wutongjun, Feicuicheng, Xianlin Street Yuhang District, Hangzhou Zhejiang Province PRC	Chinese
Mr. Lin WAN (萬霖)	Room 1901, Unit 3, Building 8 Xixi Lijing Euro America Financial City Yuhang District, Hangzhou Zhejiang Province PRC	Chinese
Mr. Zheng LIU (劉政)	Room 402, Unit 4, Building 27 Xixidieyuan Xihu District, Hangzhou Zhejiang Province PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Name	Residential Address	Nationality
<i>Independent Non-Executive Directors</i>		
Mr. Johnny CHEN (陳志宏)	Flat 11B, Tower 8, Marinella 9 Welfare Road Wong Chuk Hang Hong Kong	Chinese
Mr. Danny Tsui-Yuen CHIU	205 Chautauqua Blvd Pacific Palisades, CA90272 U.S.	American
Ms. Junhong CHU (楚軍紅)	Flat 9B, Block 3, Pine Court 23 Sha Wan Drive Pok Fu Lam Hong Kong	Chinese

Further information about the Directors and other senior management members are set out in the section headed "Directors and Senior Management" of this document.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

Citigroup Global Markets Asia Limited

50/F, Champion Tower
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Hong Kong

CITIC Securities (Hong Kong) Limited

18/F, One Pacific Place
88 Queensway
Hong Kong

J.P. Morgan Securities (Far East) Limited

28/F, Chater House
8 Connaught Road, Central
Hong Kong

(in alphabetical order)

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

Financial Adviser to our Company

Ampere Partners Limited

Suite 1609-13, Nan Fung Tower
88 Connaught Road Central
Central
Hong Kong

Legal Advisers to Our Company

As to Hong Kong and U.S. laws:

Simpson Thacher & Bartlett

35/F, ICBC Tower
3 Garden Road
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

As to PRC laws:

Fangda Partners

24/F, HKRI Centre Two
HKRI Taikoo Hui
288 Shi Men Yi Road
Shanghai 200041
PRC

As to Cayman Islands laws:

Harney Westwood & Riegels

3501 The Center
99 Queen's Road Central
Central
Hong Kong

**Legal Advisers to
the Joint Sponsors and
the [REDACTED]**

As to Hong Kong and U.S. laws:

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Taikoo Place
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Hong Kong

As to PRC laws:

Jingtian & Gongcheng

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77 Jianguo Road
Chaoyang District, Beijing
PRC

Auditor and Reporting Accountant

PricewaterhouseCoopers

*Certified Public Accountants
Registered Public Interest Entity Auditor*
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Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Industry Consultant

China Insights Industry Consultancy Limited

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88 Puji Road

Jingan District, Shanghai

PRC

Compliance Adviser

CITIC Securities (Hong Kong) Limited

18/F, One Pacific Place

88 Queensway

Hong Kong

[REDACTED]

CORPORATE INFORMATION

Registered Office	4th Floor, Harbour Place 103 South Church Street P.O. Box 10240 Grand Cayman, KY1-1002 Cayman Islands
Headquarters	501 Fengxin Street Yuhang District, Hangzhou Zhejiang Province PRC
Principal Place of Business in Hong Kong	26/F Tower One, Times Square 1 Matheson Street Causeway Bay Hong Kong
Company's Website	<u>www.cainiao.com</u> <i>(The information on the website does not form part of this document)</i>
Joint Company Secretaries	Ms. Lan YAO (姚蘭) 501 Fengxin Street Yuhang District, Hangzhou Zhejiang Province PRC Ms. Wai Kam NG (伍偉琴) 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Authorized Representatives	Mr. Zheng LIU (劉政) Room 402, Unit 4, Building 27 Xixidieyuan Xihu District, Hangzhou Zhejiang Province PRC Ms. Lan YAO (姚蘭) 501 Fengxin Street Yuhang District, Hangzhou Zhejiang Province PRC

CORPORATE INFORMATION

Audit Committee

Mr. Johnny CHEN (*Chairperson*)
Mr. Joseph C. TSAI
Mr. Danny Tsui-Yuen CHIU

Remuneration Committee

Mr. Danny Tsui-Yuen CHIU (*Chairperson*)
Mr. Joseph C. TSAI
Ms. Junhong CHU

Nomination Committee

Mr. Joseph C. TSAI (*Chairperson*)
Mr. Johnny CHEN
Ms. Junhong CHU

Sustainability Committee

Ms. Junhong CHU (*Chairperson*)
Mr. Lin WAN
Mr. Danny Tsui-Yuen CHIU

[REDACTED]

Principal Banks

China Minsheng Banking Corp., Ltd.
No. 2 Fuxingmennei Ave.
Xicheng District
Beijing 100031
PRC

China Merchants Bank Co., Ltd.
China Merchants Bank Tower
No. 7088 Shennan Boulevard
Shenzhen
Guangdong Province
PRC

The Hong Kong and Shanghai Banking Corporation
1 Queen's Road Central
Hong Kong

INDUSTRY OVERVIEW

The information presented in this section is derived from various government publications and other publications, and from a market research report prepared by China Insights Consultancy, which was commissioned by us. We believe that the sources of such information are appropriate and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by us, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the Joint Sponsors, the [REDACTED], any of our or their respective directors, officers or representatives or any other person involved in the [REDACTED] and no representation is given as to its accuracy. The information and statistics may not be consistent with other information and statistics compiled within or outside of China.

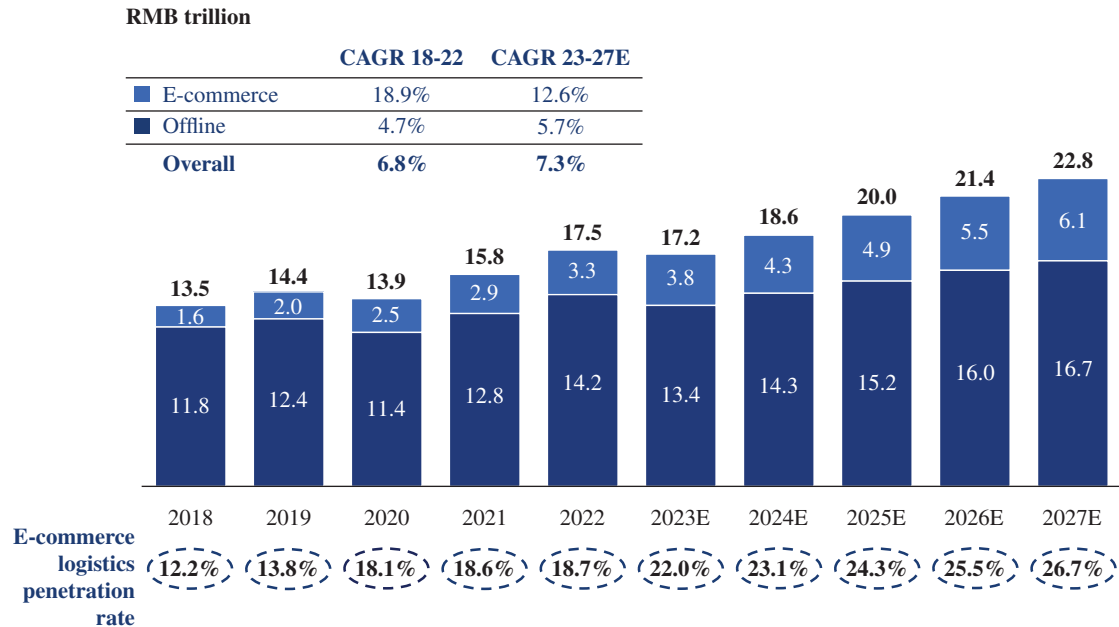
GLOBAL E-COMMERCE LOGISTICS MARKET

E-commerce is the Key Driver of the Global Retail Logistics Market

Global retail logistics presents an enormous market opportunity. According to CIC, the global retail logistics market, consisting of e-commerce and offline segments, has grown at a CAGR of 6.8% from RMB13.5 trillion in 2018 to RMB17.5 trillion in 2022, and is expected to further grow at a CAGR of 7.3% from RMB17.2 trillion in 2023 to RMB22.8 trillion by 2027. In the past two decades, the global retail logistics market has undergone a profound transformation, largely catalyzed by the rise of e-commerce. This transformation has fundamentally altered how consumers shop and merchants conduct business. Notably, the e-commerce logistics segment has experienced remarkable growth, outpacing the growth of the overall retail logistics market and taking an increasing share of the market. The penetration rate of e-commerce logistics, which represents the percentage of e-commerce logistics to total retail logistics, increased from 12.2% in 2018 to 18.7% in 2022, and is expected to further increase to 26.7% in 2027. Logistics services have played a pivotal role in enabling and are benefiting from the expansion of the e-commerce segment.

INDUSTRY OVERVIEW

Global Retail Logistics Market Size, 2018-2027E



Source: CIC

Today, as more merchants, brands and manufacturers seek to reach customers globally through more diversified channels, the line between e-commerce and traditional brick-and-mortar distribution channels is becoming less distinct. This shift is driving a growing need for e-commerce logistics players to offer comprehensive fulfillment solutions, catering to both online and offline channels. Those e-commerce logistics players that possess omni-channel capabilities are poised to capture the full potential of the large retail logistics market.

New Growth Phase of the Global E-Commerce Logistics Market

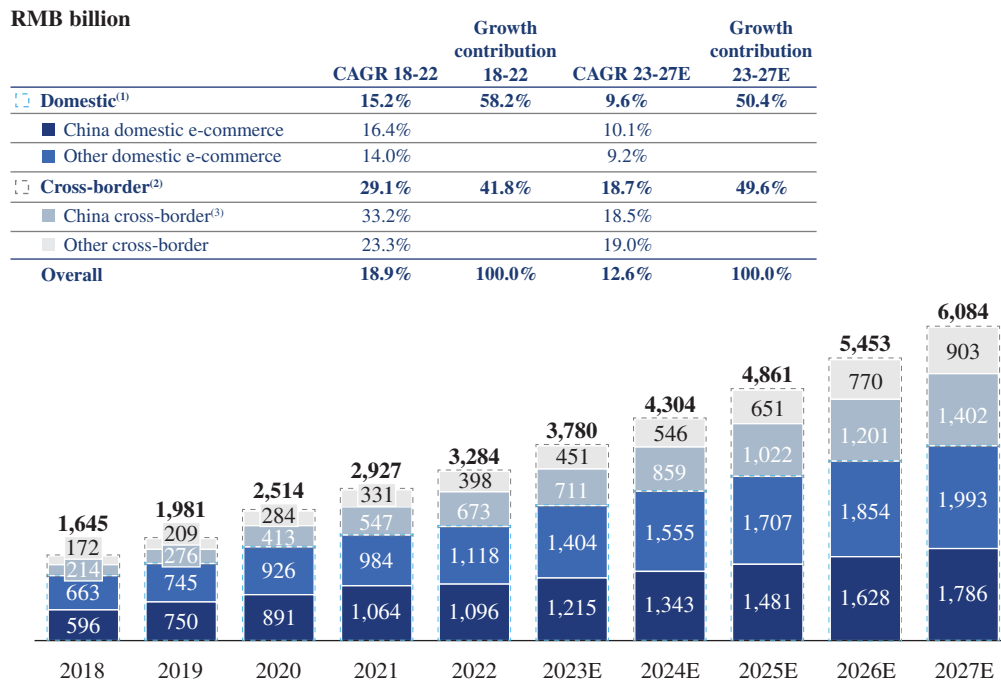
Primarily driven by the growth of the e-commerce market, the total market size of the global e-commerce logistics market is expected to reach RMB6.1 trillion by 2027. Below are key trends of the development of the global e-commerce logistics market:

Domestic e-commerce logistics. The domestic e-commerce segment was the primary growth driver from 2018 to 2022, expanding at a CAGR of 15.2% and contributing 58.2% of the overall market growth during the same period. Domestic e-commerce logistics remains the larger segment within the global e-commerce logistics market, and is expected to continue growing at a CAGR of 9.6% from RMB2.6 trillion in 2023 to RMB3.8 trillion in 2027. In particular, China was the largest domestic e-commerce logistics market in 2022, accounting for nearly half of the world's domestic e-commerce logistics spending.

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Cross-border e-commerce logistics. Cross-border e-commerce logistics is emerging as a new driving force behind the expansion of the global e-commerce logistics market. An increasing number of merchants are extending their sales to global markets, while consumers have growing interest in high-quality, value-for-money products shipped from other countries. Cross-border e-commerce logistics is expected to outgrow the overall market, with a CAGR of 18.7% from 2023 to 2027, and contributing to 49.6% of the overall market growth during the same period. Cross-border e-commerce logistics with China nexus has been, and is expected to be, a major contributor to the growth of this segment.

Global E-commerce Logistics Market Size, 2018-2027E



Source: CIC

Notes:

- (1) Domestic e-commerce logistics refers to the transportation of e-commerce goods where the consumer and the merchant are in the same country or region.
- (2) Cross-border e-commerce logistics refers to the transportation of e-commerce goods where a consumer purchases from a merchant in different countries or regions.
- (3) China cross-border e-commerce logistics refers to the inbound and outbound transportation of e-commerce goods between Chinese Mainland and another country or region.

INDUSTRY OVERVIEW

CHINA CROSS-BORDER E-COMMERCE LOGISTICS MARKET

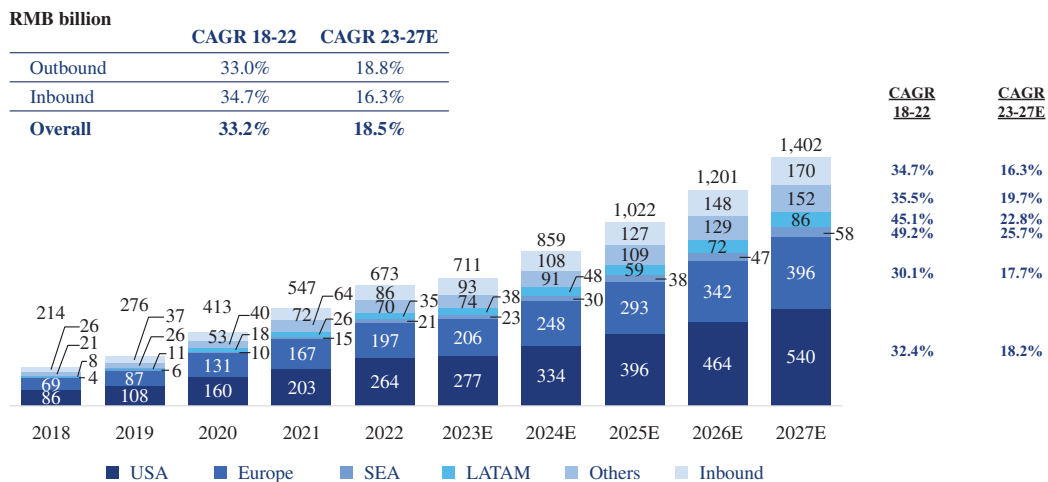
China is the Main Growth Driver of Cross-border E-commerce Logistics

China is the largest segment and the main growth driver of the global cross-border e-commerce logistics market. Cross-border e-commerce logistics with a nexus to Chinese merchants and consumers is expected to reach RMB1,402 billion by 2027, growing at a CAGR of 18.5% from 2023 to 2027 and contributing to 60.8% of the global cross-border e-commerce logistics market in 2027.

In particular, the China outbound e-commerce logistics segment grew at a CAGR of 33.0% from RMB187 billion in 2018 to RMB586 billion in 2022, and is expected to further grow at a CAGR of 18.8% from RMB0.6 trillion in 2023 to RMB1.2 trillion in 2027. Meanwhile, the China inbound e-commerce logistics segment grew at a CAGR of 34.7% from RMB26 billion in 2018 to RMB86 billion in 2022, and is expected to further grow at a CAGR of 16.3% from RMB93 billion in 2023 to RMB170 billion in 2027.

The growth in the China outbound e-commerce logistics segment is attributable to various factors, including China’s strong manufacturing capabilities and supply chains as well as a large number of e-commerce merchants seeking global sales. Furthermore, the cross-border fulfillment process has been significantly streamlined, effectively meeting consumers’ and merchants’ demand for affordability, speed and quality. These developments have broadened the range of products available for cross-border transactions, while lifting the level of consumer acceptance of cross-border e-commerce as an attractive shopping channel.

China Cross-border E-commerce Logistics Market Size, 2018-2027E



Source: CIC

INDUSTRY OVERVIEW

The advancement of China cross-border e-commerce is expected to unlock new growth opportunities across various regions globally. Foremost among these, Europe and the U.S. are anticipated to be the primary end destinations for cross-border e-commerce goods originating from China, mainly attributable to the high consumer purchasing power, strong demand for value-driven products and well-established logistics infrastructure in these regions. Additionally, Southeast Asia and Latin America are also set to experience high growth with an expected CAGR higher than the industry average from 2023 to 2027.

Rise of Cross-border E-commerce Platforms

In recent years, cross-border e-commerce platforms that are tapping into the deep supply chain in China to offer an extensive selection of value-for-money, high-quality products to global consumers in a convenient and cost-effective manner have experienced significant growth. Such platforms have expanded their combined share of the cross-border e-commerce market, and are expected to continue to grow faster than the overall market. The success of these platforms is attributable to following:

Abundant supply of value-for-money, high-quality products. Leveraging the robust manufacturing capabilities in China, cross-border e-commerce platforms offer a wide array of value-for-money, high-quality products for sales to global consumers, encompassing not only best-selling standard products, but also non-standard, white-label and niche products that may not be easily accessible in other parts of the world.

More services and stronger influence throughout industry value chain. Cross-border e-commerce platforms have been adopting various business models to effectively meet consumer demand. For example, some platforms are enhancing their capabilities to expand from the marketplace model to the full consignment service model, catering to a greater number of merchants seeking comprehensive operational and logistics support, or providing direct sales services. Such platforms are broadening their services and influence across the industry value chain, spanning from product design to supply chain, and further to marketing and operations. This enables more rapid product iterations and higher inventory turnover, lower costs and enhanced consumer experience.

Upgraded logistics experience. Logistics experience has become a key consideration for today's consumers in choosing how and where to shop. Cross-border e-commerce platforms have collaborated with specialized e-commerce logistics service providers and upgraded logistics fulfillment capabilities to facilitate more rapid, reliable and cost-effective deliveries globally. This has contributed to the improvement in consumer experience, making cross-border e-commerce a competitive alternative to local retail.

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Key Success Factors for Cross-Border E-Commerce Logistics Companies

To meet the growing demand of cross-border merchants, brands and e-commerce platforms, logistics companies must have a global reach and strong logistics capabilities to handle high parcel volume across countries and regions globally with traceability and optimized costs.

Millions of products are purchased from cross-border merchants, brands and e-commerce platforms daily and around the world. To support their operations, logistics companies must be able to arrange the delivery of millions of small parcels to, or placement of inventories in, different destination countries around the globe. To be competitive with local online or offline retail options, it is critical for such merchants, brands and e-commerce platforms to offer high-quality goods at prices, including logistics fees, that are competitive with local retail goods while providing consumers with time-definite deliveries. To address this, logistics companies must possess an extensive global network and strong technology capabilities to continuously innovate in solutions and optimize costs.

We believe these challenges can be addressed by global logistics companies that possess the following core competencies:

E-commerce insights. Logistics companies must possess a deep and intimate understanding of the dynamic landscape of global cross-border e-commerce. This knowledge serves as the bedrock for logistics service providers to effectively cater to the diverse requirements of cross-border merchants, brands and e-commerce platforms.

Technology advantages. Logistics companies must deploy technologies purpose-built to tackle real-world operational challenges faced by the e-commerce industry, such as ensuring connectivity across long logistics chains, optimizing delivery routes and enabling real-time tracking. Such technologies need to be embedded in operations to not only pinpoint customer needs, but also provide solutions tailored to industry verticals. Furthermore, logistics technologies must be informed and empowered by high-quality real-world data processed through AI-powered analytics. This enables sophisticated analysis and synthesis of data, often in real-time, leading to improved workflows and optimized resource allocations. In addition, logistics companies must be able to replicate proven technologies to other international markets in a cost-effective manner, while ensuring adaptability to the unique conditions of local environments.

Global network. Both global presence and in-depth local expertise are important to logistics companies, who must manage the complexities of the long global logistics value chain while delivering high-quality services consistently. Furthermore, in terms of network topology, logistics companies must maintain strong control of a physical network optimized for e-commerce fulfillment. Such control has become critical in improving service speed, quality and customer experience. Logistics companies also need to maintain a high level of network flexibility and resilience to effectively manage demand surges during peak seasons.

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Innovative products and services. Logistics companies need to demonstrate proficiency in delivering end-to-end, integrated solutions that ensure a high level of transparency and control throughout the logistics value chain. Furthermore, logistics companies need to deliver solutions that are not only cost-effective but also sufficiently fast to compete with local alternatives. In addition, the ability to accommodate adaptive service models is essential for logistics companies serving cross-border merchants, brands and e-commerce platforms. This includes the flexibility to support the full consignment service model for large e-commerce platforms as well as offering third-party logistics services for other types of merchants.

Competitive Landscape of the Cross-Border E-commerce Logistics Market

The chart below shows the ranking of cross-border e-commerce logistics services providers. Cainiao is the largest cross-border e-commerce logistics company globally as measured by parcel volume in 2022.

Ranking of Global Cross-border E-commerce Logistics Companies, in Terms of Parcel Volume, 2022

Ranking	Company Name	Market Share (%)
1	Cainiao	8.1%
2	Company A ⁽¹⁾	5.5%
3	Company B ⁽²⁾	3.8%
4	Company C ⁽³⁾	3.3%
5	Company D ⁽⁴⁾	3.1%

Source: CIC

Notes:

- (1) Company A is a global logistics and postal services company founded in Germany. It mainly offers express delivery, freight delivery, international freight forwarding and supply chain solutions. It is a publicly-listed company.
- (2) Company B is a logistics and postal services company founded in China. It mainly offers domestic and international postal and express delivery services.
- (3) Company C is a logistics and postal services company founded in France. It mainly offers domestic and international postal and express delivery services.
- (4) Company D is a global logistics company founded in the U.S. It mainly offers small parcel delivery, freight brokerage, freight forwarding and supply chain solutions. It is a publicly-listed company.

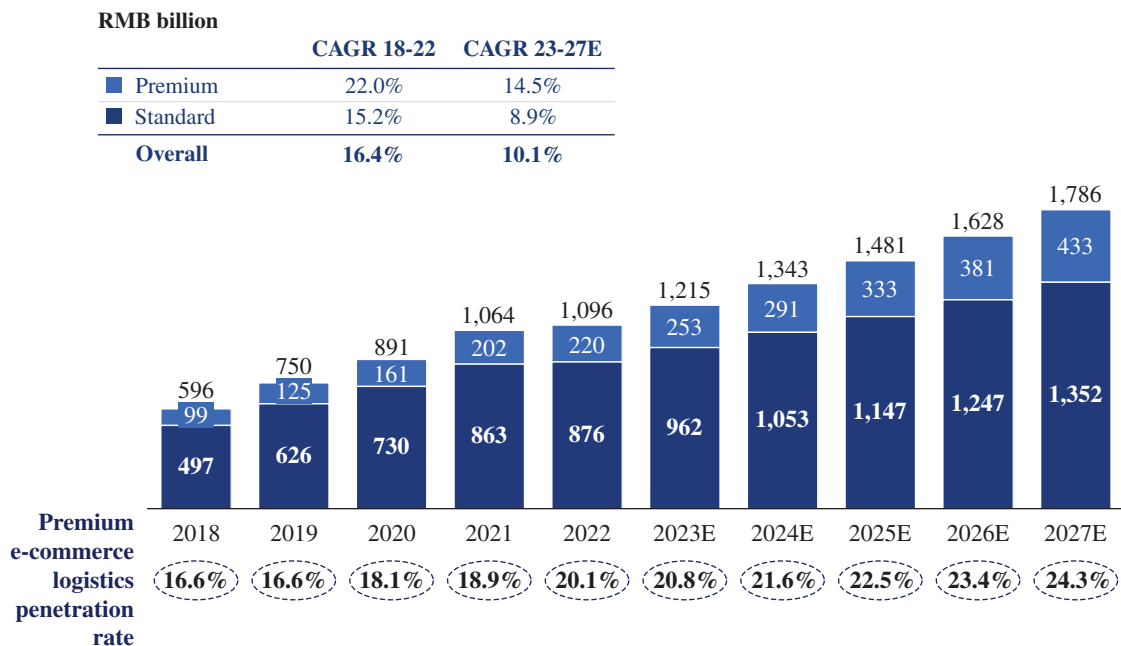
INDUSTRY OVERVIEW

CHINA DOMESTIC E-COMMERCE LOGISTICS MARKET

China is the largest e-commerce market in the world, with the e-commerce penetration rate of the overall retail market expected to further grow from 28.2% in 2023 to 31.7% in 2027. The China domestic e-commerce logistics market size reached RMB1.1 trillion in 2022, representing 33.4% of the global e-commerce logistics market. It is expected to further grow at a CAGR of 10.1% from RMB1.2 trillion in 2023 to reach RMB1.8 trillion in 2027.

The China premium e-commerce logistics market has been growing faster than the overall market in the past five years. Premium e-commerce logistics refers to e-commerce logistics adopting either high-standard warehouses or time-definite express delivery with doorstep delivery pledge. The China premium e-commerce logistics market grew at a CAGR of 22.0% from RMB99 billion in 2018 to RMB220 billion in 2022, and is expected to further grow at a CAGR of 14.5% from RMB253 billion in 2023 to reach RMB433 billion in 2027. Premium e-commerce logistics penetration rate has increased from 16.6% in 2018 to 20.1% in 2022, and is expected to further rise to 24.3% in 2027.

China Domestic E-commerce Logistics Market Size, 2018-2027E



Source: CIC

INDUSTRY OVERVIEW

Key Trends in the China Domestic E-commerce Logistics Market

China is one of the most sophisticated and dynamic e-commerce markets in the world with substantial future growth opportunities. As the China domestic e-commerce logistics industry undergoes continuous evolution, it is shaped by the following key trends:

Premiumization. A significant number of Chinese online shoppers increasingly place emphasis on more premium logistics services, such as doorstep delivery, hassle-free reverse logistics and high predictability, particularly during peak seasons. Meanwhile, merchants and brands are seeking to differentiate their offerings by working with leading logistics companies to provide reliable, high-quality logistics services to meet consumer expectations. This requires logistics companies to upgrade their service capabilities, while striking the right balance among speed, quality and cost.

Rapidly evolving and complex demand. Chinese online shoppers are discerning and savvy, seeking an extensive selection of products and a seamless shopping experience across various platforms. Their tastes and preferences for different products can also change rapidly. This dynamic environment places complex demand on logistics companies to cater to the diverse fulfillment needs for a wider array of product categories across multiple platforms.

Beyond e-commerce. Chinese merchants and brands are increasingly adopting omni-channel distribution strategies. Over 80% of the brands in China are either currently investing or have future plans to invest in an omni-channel retail model, according to CIC. In light of this trend, logistics companies must offer comprehensive fulfillment capabilities covering both online and offline channels, while continuously improving the quality of standalone logistics service offerings catering to the e-commerce industry.

Be more than a logistics service provider. Merchants and brands expect comprehensive solutions from their logistics partners that extend beyond traditional logistics services. These encompass sophisticated and accurate product demand forecasting, end-to-end supply chain management and environmentally and socially responsible programs. Additionally, they look to their logistics service providers to add value in sales and customer acquisition, among others, thus maximizing their collective competitive edge.

Key Success Factors for the China Domestic E-commerce Logistics Industry

Set forth below are key success factors for companies in the China domestic e-commerce logistics market:

Business model innovation. Structural challenges inherent in the industry, such as last-mile delivery capacity shortages and suboptimal return management, have significantly hindered operating efficiency and led to poor customer experience. Incremental operational enhancements alone may not suffice, and it is important for logistics companies to reevaluate and innovate in their business models to effectively address such challenges.

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Customer demand for quality service at competitive prices. As customers increasingly expect quality logistics services at competitive prices, logistics companies must strike the right balance among speed, quality and cost. To achieve this, logistics companies need to develop a deep understanding of e-commerce and customer needs, generally through close collaborations with e-commerce platforms, and to continuously improve operating efficiency.

Intelligent network. To support their logistics service offerings for the e-commerce industry, logistics companies must build networks that offer not only scale and coverage, but also intelligence and flexibility. Logistics companies must also adopt a strategic and selective approach, driven by high-quality data insights and deep operational know-how, when designing and building different tiers and components of their networks. Furthermore, it is important to accurately identify and effectively control the critical nodes within the network in order to continuously improve delivery speed, cost-effectiveness and service quality.

Last-mile network capabilities. Comprehensive last-mile network coverage and capabilities are important for the success of logistics companies. A large and robust last-mile network can maximize delivery capacity, offering added stability and resilience. As one of the most labor-intensive steps along the logistics value chain, it also offers significant potential for operational enhancement. Moreover, it functions as the primary interface to drive customer engagement, enhance brand image and provide value-added services.

Operating efficiency. Logistics companies must adopt a comprehensive approach in pursuing operating efficiency. This includes establishing structural cost advantages through fundamental business model innovation and network design, as well as leveraging technology and operational capabilities to continuously optimize fulfillment costs.

Competitive Landscape of the China Domestic Premium E-commerce Logistics Market

The premiumization of China's domestic e-commerce market has called for high-quality e-commerce logistics, which requires higher investments in physical network, operational capabilities and technologies, resulting in a more concentrated market. According to CIC, Cainiao is China's third-largest premium e-commerce logistics company by revenue in 2022.

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Ranking of China’s Premium E-commerce Logistics Companies, in Terms of Revenue, 2022

Ranking	Company Name	Market Share (%)
1	Company E ⁽¹⁾	35.7%
2	Company F ⁽²⁾	20.0%
3	Cainiao	16.4%
4	Company B	4.2%
5	Company G ⁽³⁾	2.0%

Source: CIC

Notes:

- (1) Company E is a logistics company founded in China. It offers supply chain solutions and logistics services. It is a subsidiary of a supply chain-based technology and service provider and a publicly-listed company.
- (2) Company F is a logistics company founded in China. It offers express delivery, freight transportation, international freight forwarding and supply chain solutions. It is a publicly-listed company.
- (3) Company G is a logistics company founded in China. It mainly offers supply chain solutions for bulky items and other consumers goods. It is a subsidiary of a white goods company.

CHINESE E-COMMERCE LOGISTICS COMPANIES ARE WELL POSITIONED TO CAPTURE THE POTENTIAL OF THE GLOBAL E-COMMERCE LOGISTICS MARKET

Further to the continued developments of cross-border and domestic e-commerce logistics, the global e-commerce logistics market is poised to enter the next growth stage. Industry trends, including the restructuring of global supply chains and the transformation of the global e-commerce landscape, are driving the need for overseas local and global-to-global logistics that are well-connected to cross-border and local logistics networks.

Leading Chinese e-commerce logistics companies with strong global end-to-end capabilities are well positioned to participate in and drive the evolution and growth of the global e-commerce logistics market. In particular, China domestic, cross-border and overseas local businesses can create synergies and fly-wheel effects across different segments and give such companies compounding competitive advantages for continued success.

Leading Chinese e-commerce logistics companies are expected to continue to strengthen their e-commerce fulfillment capabilities in the complex China market characterized by substantial inbound and outbound parcel flows. For example, Chinese e-commerce logistics companies can provide faster and more cost-effective cross-border logistics solutions,

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encompassing a wider range of product categories and SKUs. This lays a foundation for further transitioning and scaling up on the global stage. Such competitive edge is crucial for the cross-border logistics segment, which presents a significant barrier to entry due to its long and complex value chain.

For Chinese e-commerce logistics companies who have established cross-border networks and substantial cross-border volume, they will benefit from such robust base for rapid, cost-effective global expansion. Logistics companies with established global end-to-end networks and control over critical nodes are well positioned to further develop local delivery capabilities in destination countries. The combination of global reach and local expertise is expected to lay solid groundwork for further expansion to both local-to-local and global-to-global markets.

SOURCE OF INFORMATION

We commissioned CIC, an independent market research and consulting firm, to conduct detailed research and analysis of global logistics market and other related economic data and prepare a market research report (“**CIC Report**”). CIC, founded in Hong Kong, provides professional services including, among others, industry consulting, commercial due diligence and strategic consulting. We have agreed to pay a fee of RMB1.25 million to CIC in connection with the preparation of the CIC Report. We are of the view that the payment of such fee does not impair the fairness of the conclusions drawn in the CIC Report. We have extracted certain information from the CIC Report in this section, as well as in the sections headed “Summary”, “Risk Factors”, “Our Business”, “Financial Information” and elsewhere in this document to provide our potential [REDACTED] with a more comprehensive presentation of the industry in which we operate.

During the preparation of the CIC Report, CIC performed both primary and secondary research, and obtained knowledge, statistics, information on and industry insights into the global logistics market and other related economic data. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources. The CIC Report was compiled based on the following assumptions: (1) the overall social, economic, and political environment is expected to remain stable during the forecast period; (2) certain key industry drivers, including the development of global and China’s e-commerce and e-commerce logistics markets, increasing demand for omni-channel logistics solutions from merchants, and the development of technology, among others, are likely to continue to drive market growth during the forecast period; and (3) there is no extreme force majeure or unforeseen industry regulations in which the market may be affected in either a dramatic or fundamental way. All forecasts in relation to market size are based on the general economic conditions as of the Latest Practicable Date. For currency translations, the average foreign exchange rate published by the National Bureau of Statistics each year is used for historical periods, while the foreign exchange rate as of June 30, 2023 is used for forecast periods.

We confirm that after taking reasonable care, there has been no adverse change in the market information since the date of the report prepared by CIC which may qualify, contradict or have an impact on the information set forth in this section in any material respect.

REGULATORY OVERVIEW

We operate in an increasingly complex legal and regulatory environment and primarily offer logistics services and supply chain solutions globally. As such, we and our logistics partners are subject to a variety of laws, rules and regulations across a number of aspects of our business. As we have expanded our operations to other countries, we have become increasingly subject to applicable regulations in these jurisdictions. This section primarily summarizes the principal PRC laws, rules and regulations relevant to our business and operations, because the PRC remains the country where we conduct the majority of our business and generate the majority of our revenues. Other jurisdictions where we conduct business have their own laws and regulations that cover many of the areas covered by PRC laws and regulations, but their focus, specifics and approaches may differ considerably. Areas in which we are subject to laws, rules and regulations outside of the PRC include consumer protection, customs clearance, taxation, anti-monopoly and anti-unfair competition, as well as privacy and data protection. We may also increasingly become subject to additional legal and regulatory compliance requirements as well as political and regulatory challenges, including scrutiny on data privacy and security and anti-money laundering compliance, on national security grounds or for other reasons, in foreign countries in which we conduct business or investment activities. See “Risk Factors — Risks Related to Our Industry and Business — We are subject to a broad range of laws and regulations, and future laws and regulations may impose additional requirements and other obligations that could materially and adversely affect our business, financial condition and results of operations, as well as the [REDACTED] of our Shares.”

REGULATION OF FOREIGN INVESTMENT

In March 2019, the National People’s Congress promulgated the PRC Foreign Investment Law (《中華人民共和國外商投資法》) (the “**2019 PRC Foreign Investment Law**”), which became effective as of January 2020. Pursuant to the 2019 PRC Foreign Investment Law, “foreign investments” refer to investment activities conducted by foreign investors directly or indirectly in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) investment of other methods as specified in laws, administrative regulations, or as stipulated by the State Council.

According to the 2019 PRC Foreign Investment Law and its implementing rules, China adopts a system of pre-entry national treatment plus negative list with respect to foreign investment administration, and the negative list will be proposed by the competent investment department of the State Council in conjunction with the competent commerce department of the State Council and other relevant departments, and be reported to the State Council for promulgation, or be promulgated by the competent investment department or competent commerce department of the State Council after being reported to the State Council for approval. Foreign investment beyond the negative list will be granted national treatment. Foreign investors shall not invest in the prohibited industries as specified in the negative list, while foreign investment must satisfy certain conditions stipulated in the negative list for

REGULATORY OVERVIEW

investment in the restricted industries. The current industry entry clearance requirements governing investment activities in the PRC by foreign investors are set out in two categories, namely the Negative List (《外商投資准入特別管理措施(負面清單)(2021年版)》) and the Encouraged Industry Catalogue for Foreign Investment (2022 version) (《鼓勵外商投資產業目錄(2022年版)》) (the “**2022 Encouraged Industry Catalogue**”), both of which were promulgated by the National Development and Reform Commission of the PRC, or the NDRC, and the Ministry of Commerce of the PRC, or the MOFCOM, and took effect in January 2022 and January 2023 respectively. Industries not listed in these two categories are generally deemed “permitted” for foreign investment unless otherwise restricted by other PRC laws. Our PRC subsidiaries mainly engage in providing logistics services and solutions to merchants and brands, e-commerce platforms, consumers and logistics companies, all of which fall into the encouraged or permitted category. These PRC subsidiaries have obtained all material approvals required for their business operations. The Negative List does not apply to our subsidiaries that are registered and domiciled in Hong Kong, the British Virgin Islands or the Cayman Islands, and operate outside of Chinese Mainland. Industries such as value-added telecommunications services, including Internet information services, are generally restricted to foreign investment pursuant to the Negative List. We conduct business operations that are restricted or prohibited to foreign investment through our variable interest entity.

In December 2020, the NDRC and MOFCOM promulgated the Foreign Investment Security Review Measures (《外商投資安全審查辦法》), which took effect in January 2021. Under the Foreign Investment Security Review Measures, foreign investments in military, national defense-related areas or in locations in proximity to military facilities, or foreign investments that would result in acquiring the actual control of assets in certain key sectors, such as critical agricultural products, energy and resources, equipment manufacturing, infrastructure, transport, cultural products and services, IT, Internet products and services, financial services and technology sectors, are required to obtain approval from designated governmental authorities in advance. Although the term “actual control” is not clearly defined under the Foreign Investment Security Review Measures, it is possible that control through contractual arrangement may be regarded as a form of actual control and therefore requires approval from the competent governmental authority. As the Foreign Investment Security Review Measures does not clearly define the term, we cannot rule out the possibility that control through contractual arrangement may be regarded as a form of actual control and therefore require approval from the competent governmental authority.

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REGULATION OF EXPRESS DELIVERY SERVICES

The PRC Postal Law (《中華人民共和國郵政法》), which took effect in January 1987 and was most recently amended in 2015, sets forth the fundamental rules on the establishment and operation of an express delivery company. According to the PRC Postal Law, an enterprise that operates and provides express delivery services is required to obtain a Courier Service Operation Permit. Pursuant to the PRC Postal Law, "delivery" refers to delivery of letters, parcels, printed materials and other items to specific individuals or entities according to the names and addresses on the envelopes or packages, including mail acceptance, sorting, transportation, delivery, and "express delivery" refers to rapid mail "delivery" within a specified time limit.

The PRC Postal Law also requires that a company operating express delivery services must apply for and obtain the Courier Service Operation Permit prior to applying for its business license. Pursuant to the Administrative Measures on Courier Service Operation Permits (《快遞業務經營許可管理辦法》), which was promulgated by the Ministry of Transport in September 2009 and most recently amended in November 2019, any entity engaging in express delivery services is required to obtain a Courier Service Operation Permit from the State Post Bureau or its local counterpart and is subject to their supervision and regulation. The express delivery business must be operated within the permitted scope and the valid term of the Courier Service Operation Permit.

In March 2018, the State Council promulgated the Provisional Regulations for Express Delivery (《快遞暫行條例》), which came into effect in May 2018 and was amended in March 2019. These Regulations reiterate that a company operating express delivery services must obtain the Courier Service Operation Permit and sets forth specific rules and security requirements for express delivery operations. Express delivery operators and their branches may open express delivery terminal outlets which are required to file with the local post administrations in the places where they are located for record within 20 days from the date of opening their express delivery terminal outlets. The delivery terminal outlets are not required to obtain a business license. Where an express delivery service operator fails to file with the local post administrations for opening their express delivery terminal outlets, such express delivery service company may be ordered to make corrections, imposed a fine up to RMB50,000 and/or ordered to suspend business for rectification. In case an express delivery service company intends to suspend operating express delivery services, it shall (i) make public announcement ten days in advance, (ii) submit a written notice to the postal administrative departments, (iii) return the Courier Service Operation Permit and (iv) make proper arrangement on undelivered express parcels. Failure to comply with such requirements may result in orders of making corrections, fine up to RMB50,000 and/or orders of suspension of business for rectification. According to the Provisional Regulations for Express Delivery, express delivery operators shall also verify the identity of senders and register their identity information when receiving express parcels. Where senders refuse to furnish their identity information or furnish false identity information, express delivery operators shall not receive their express parcels. According to the Provisional Regulations for Express Delivery, the PRC Postal Law and the Anti-Terrorism Law (《反恐怖主義法》), if any express delivery operator

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fails to verify the identity of senders and registers their identity information, or identifies that the senders provide false identity information, but still receives the express parcels, such express delivery operator may be subject to a fine up to RMB500,000 or be ordered to suspend business operation until cancellation of its Courier Service Operation Permit, and the personnel directly in charge and other persons directly liable may be subject to a fine up to RMB100,000. The Provisional Regulations for Express Delivery also indicate that two or more express delivery operators may use a unified trademark, corporate name or express waybill to conduct the express delivery business. The express delivery operators shall enter into a written agreement to define their respective rights and obligations, carry out unified management of service quality, safety guarantee and business process, and provide unified express mail tracking, inquiry and complaint handling services for clients. Where the legitimate rights and interests of any client have been jeopardized due to the delay, missing, damage or shortage of express parcels, the client may request the express delivery operator to which the trademark, corporate name or express waybill belongs to offer compensation, or request the actual express delivery provider to pay compensation.

Filing with the postal administrative department is required where an express delivery company sets up branches. The requirements for the establishment of a branch of express delivery company are specified in the Administrative Measures for Courier Service Market (《快遞市場管理辦法》) (the "**Courier Market Measures**"), which was promulgated by the Ministry of Transport in January 2013. The Courier Market Measures stipulates that where any express delivery company establishes its branches or business departments, it must register with the local counterpart of the SAMR, where such branches or business departments are located, by submitting its Courier Service Operation Permit and a list of its branches and, such branches or business departments must, within 20 days after they obtain their relevant business licenses, file with the local postal administrative department. The PRC Postal Law stipulates that if an express delivery company fails to complete such required filing with the relevant governmental authority, it may be ordered to rectify and to pay general fines up to RMB10,000. If the non-compliance situations are severe, a fine up to RMB50,000 can be imposed, and the violator may face suspension of its business operation before completing the rectification. State Post Bureau and the Ministry of Transport publicly solicited opinions on Administrative Measures for Courier Service Market (Revised Draft For Comments) (《快遞市場管理辦法(修訂草案)》(徵求意見稿)) in January 2022, which provides that an express delivery company must complete the registration with the local counterpart of SAMR within 20 days for its branches after it filed with the local postal administrative department for such branches, otherwise the filing with local postal administrative department will be revoked, while stipulating other operation requirements with respect to services standards, operation safety, and personal information protection, among others.

Enterprises engaged in express delivery services other than China Post and their wholly owned and/or controlled enterprises that provide postal services (the "**Postal Enterprise**"), may not engage in letters delivery business which are exclusively operated by Postal Enterprise, and may not deliver any official documents of state authorities. The express delivery business must operate within the permitted scope and under the valid terms of the Courier Service Operation Permit. The Courier Service Operation Permit is valid for 5 years

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upon its issuance and the holder of such permit has an annual reporting obligation. The Circular on Implementing the Administrative Measures for the Courier Market and Strengthening the Administration of Courier Service Operations (《關於貫徹實施〈快遞市場管理辦法〉加強快遞業務經營活動管理的通知》), which was issued by the State Post Bureau in February 2013, further clarify that the postal administrative department must examine whether an entity operates express delivery service within the permitted business scope and geographic scope of its Courier Service Operation Permit, and the geographic examination must be carried out down to the level of cities that may be divided into districts. Pursuant to the Courier Market Measures, failure to conduct express delivery services within the permitted operation scopes would subject the express delivery company to a correction order by the postal administrative department and a fine up to RMB30,000. Moreover, in accordance with the Administrative Measures on Courier Service Operation Permits, an enterprise engaged in express delivery services must submit an annual report on its Courier Service Operation Permit with the postal administrative authority which issued its Courier Service Operation Permit prior to April 30 of the next each year. Where an express delivery service company fails to submit its annual report to the relevant postal administrative authority in a timely manner, it may be ordered by the postal administrative authorities to make correction, and may be subject to a fine up to RMB10,000. Where an express delivery service company conceals any facts or commits fraud in its annual report, such express delivery service company may be ordered by the postal administrative authorities to make correction and imposed a fine up to RMB30,000.

Pursuant to the Risk Assessment and Reporting for Major Operation and Management Issues of Courier Enterprise Headquarters (Trial) (《快遞企業總部重大經營管理事項風險評估和報告制度(試行)》), which was issued by the State Post Bureau in October 2020, the headquarters of a courier enterprise must submit a report within 3 days after making a major decision on business that may cause an impact on the nationwide postal industry, including but not limited to nationwide price adjustment, capital reduction, dissolution and bankruptcy, to the State Post Bureau. Where it fails to submit the report to the postal administration authorities in a timely manner, such courier enterprise may be ordered to make correction, and it may be subject to a fine up to RMB100,000, suspension of business operation and cancellation of its Courier Service Operation Permit.

According to the Courier Market Measures, if any express delivery service is carried out through franchise, both the franchisees and franchisors must obtain the Courier Service Operation Permit and any franchisee must run its franchise business within franchisors' licensed scopes. The franchisees and franchisors must enter into written agreements providing the rights and obligations of both parties and the liabilities of both parties in case of any violation of the legal rights and interests of the users of express delivery services. Any franchisee or franchisor failing to obtain the Courier Service Operation Permit or any franchisee failing to run its franchise business within franchisors' licensed scopes would be subject to a correction order by the relevant postal administrative authority and a fine up to RMB30,000.

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Companies engaged in express delivery service must establish and implement a system for the examination of parcels or articles received for delivery. Pursuant to the PRC Postal Law and Measures for the Supervision and Administration of Postal Security in the Postal Industry (《郵政業寄遞安全監督管理辦法》) issued by the Ministry of Transport in January 2020, which became effective in February 2020, express delivery companies must examine the postal articles so as to inspect whether the postal articles are prohibited or restricted from express delivery. Express delivery companies must also examine whether the names, nature and quantity of the postal articles are consistent with delivery form. According to the PRC Postal Law, any failure to establish or implement such inspection system, or any unlawful acceptance or delivery of prohibited or restricted parcels/articles may result in the sanctions to the in-charge persons bearing direct responsibility and other persons subject to direct liability of the express delivery companies and the suspension of the company's business operation for rectification or even cancellation of its Courier Service Operation Permit, being compelled to make corrections and being imposed a fine up to RMB5,000.

Pursuant to the E-commerce Law of the PRC (《中華人民共和國電子商務法》) promulgated by Standing Committee of the National People's Congress, which took effect in January 2019, e-commerce businesses are subject to certain requirements, including but not limited to the following: while handing over commodities, express logistics service providers shall remind consignees to examine the commodities immediately on the spot; where the commodities are received by others for consignees, such providers shall obtain the consent of consignees. Express logistics service providers shall use environmental-friendly packaging materials in accordance with the relevant provisions in an effort to reduce the consumption of and recycle packaging materials. While offering express logistics services, the providers thereof may agree to be entrusted by e-commerce operators to collect payments for goods. The operation of our business is subject to E-commerce Law of the PRC. If our express delivery services are not in compliance with the law, we may be required to make certain rectifications.

In accordance with the Measures for Administration of Packaging of Mails and Express Mails (《郵件快件包裝管理辦法》), which was promulgated by the Ministry of Transport in February 2021 and came into effect in March 2021, express delivery companies shall prioritize the use of recyclable materials for packaging parcels, optimize the design of express packaging and reduce the use of filling materials, and may not use non-degradable plastic materials. Where an express delivery company uses packaging that is not in compliance with the law, or uses a toxic substance as filling material, it would be subject to a correction order by the postal administration authority; if the express delivery company fails to make corrections within a time limit, it would be subject to fines up to RMB10,000. Express delivery companies shall formulate and revise their own packaging operation regulations, and make filings in accordance with the regulations of the postal administration authorities of the State Council. If an express delivery company fails to formulate packaging operation regulations or to file with the State Council, such express delivery company may be compelled to make corrections with a time limit, and be imposed a fine up to RMB10,000.

REGULATORY OVERVIEW

REGULATION OF ROAD TRANSPORTATION

Pursuant to the Regulations on Road Transportation of the PRC (《中華人民共和國道路運輸條例》) promulgated by the State Council in April 2004 and most recently amended in July 2023, and the Provisions on Administration of Road Freight Transportation and Stations (Sites) (《道路貨物運輸及站場管理規定》) (the “**Road Freight Provisions**”) issued by the Ministry of Transport in June 2005 and most recently amended in September 2022, the business operations of road freight transportation refer to commercial road freight transportation activities that provide public services. The road freight transportation includes general road freight transportation, special road freight transportation, road transportation of large articles, and road transportation of hazardous cargos. Special road freight transportation refers to freight transportation using special vehicles with containers, refrigeration equipment, or tank containers, etc. The Road Freight Provisions set forth detailed requirements with respect to vehicles and drivers.

Under the Road Freight Provisions, anyone engaged in the business of operating road freight transportation must obtain a Road Transportation Operation Permit from the local county-level road transportation administrative bureau, and each vehicle used for road freight transportation must have a Road Transportation Certificate from the same authority. The incorporation of a subsidiary of road freight transportation operator that intends to engage in road transportation business is subject to the same approval procedure. If it intends to establish a branch, it should file with the local road transportation administrative bureau where the branch is to be established. Pursuant to the Notice on the Cancellation of the Road Transportation Operation Permit and the Driver Qualification Certificate for Ordinary Freight Vehicles with a Total Mass of 4.5 Tons or Less (《交通運輸部辦公廳關於取消總質量4.5噸及以下普通貨運車輛道路運輸證和駕駛員從業資格證的通知》) promulgated by the Ministry of Transport, which took effect in January 2019, local transportation management departments will no longer issue Road Transportation Operation Permit for ordinary freight vehicles with a total mass of 4.5 tons or less, and shall not impose administrative penalties on such vehicles and drivers for the reasons of operating without permits and driving freight transportation vehicles without corresponding qualification certificates.

Although the Road Transportation Operation Permits have no limitation with respect to geographical scope, several provincial governments in China, including Shanghai and Beijing, promulgated local rules on administration of road transportation, stipulating that permitted operators of road freight transportation registered in other provinces should also make record-filing with the local road transportation administrative bureau where they carry out business.

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REGULATION OF CARGO VEHICLES

Pursuant to the Administrative Provisions concerning the Running of Cargo Vehicles with Out-of-Gage Goods (《超限運輸車輛行駛公路管理規定》) promulgated by the Ministry of Transport, which took effect in September 2016 and was most recently amended in August 2021, cargo vehicles running on public roads shall not carry cargo weighing more than the limits prescribed by this regulation and their dimensions shall not exceed those as set forth by the same regulation. Vehicle operators who violate this regulation may be subject to a fine up to RMB30,000 for each violation. In the event of repeated violations, the regulatory authority may suspend the operating license of the vehicle operator and/or revoke the business operation registration of the relevant vehicle. In the event more than 10% of the total vehicles of any road transportation enterprise are not in compliance with this regulation in any year, such road transportation enterprise shall suspend its business for rectification and its road transportation license may be revoked.

REGULATIONS OF VALUE-ADDED TELECOMMUNICATION SERVICES

Under the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) (the “**Telecommunications Regulations**”) promulgated in September 2000 by the State Council and most recently amended in February 2016, a telecommunications service provider in China must obtain an operating license from the Ministry of Industry and Information Technology of the PRC; or the MIIT, or its provincial counterparts. The Telecommunications Regulations categorize all telecommunications services in China as either basic telecommunications services or value-added telecommunications services. The Administrative Measures for Telecommunications Business Operating License, promulgated by the MIIT in September 2017, set forth more specific provisions regarding the types of licenses required to operate value-added telecommunications services, the qualifications and procedures for obtaining the licenses and the administration and supervision of these licenses.

Foreign investment in telecommunications businesses is governed by the State Council’s Administrative Rules for Foreign Investment in Telecommunications Enterprises (《外商投資電信企業管理規定》) (the “**Foreign Investment Telecommunications Rules**”), which was amended in March 2022 and became effective in May 2022. According to the amended Foreign Investment Telecommunications Rules, a foreign investor’s beneficial equity ownership in an entity providing value-added telecommunications services in China is generally not permitted to exceed 50% unless otherwise allowed by the competent PRC governmental authorities. In addition, the revised Foreign Investment Telecommunications Rules no longer require major foreign investors holding equity in enterprises providing value-added telecommunications services in China to have a good track record and operational experience in providing these services, but the PRC governmental authorities have not promulgated the relevant implementation rules. Based on the Notice regarding the Strengthening of Ongoing and Post Supervision of Foreign Invested Telecommunication Enterprises (《關於加強外商投資電信企業事中事後監管的通知》) issued by the MIIT in October 2020, foreign invested telecommunications enterprises will no longer be subject to the requirement for prior MIIT approval. Nonetheless, these enterprises still need to submit the relevant materials to the MIIT to apply for new telecommunications operating permits or amended permits.

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Although the Negative List allows foreign investors to hold more than 50% equity interests in a value-added telecommunications service provider engaging in e-commerce, domestic multi-party communications, or storage-and-forward and call center businesses, other requirements provided by the amended Foreign Investment Telecommunications Rules shall still apply.

The Ministry of Information Industry, now known as the MIIT's Notice Regarding Strengthening Administration of Foreign Investment in Operating Value-Added Telecommunications Businesses (《關於加強外商投資經營增值電信業務管理的通知》) (the "MIIT Notice") issued in July 2006 prohibits holders of these service licenses from leasing, transferring or selling their licenses in any form, or providing any resource, site or facility, to any foreign investors intending to conduct this type of business in China. In addition to restricting dealings with foreign investors, the MIIT Notice contains a number of detailed requirements applicable to holders of value-added telecommunications service licenses, including that license holders or their shareholders must directly own the domain names and trademarks used in their daily operations and each license holder must possess the necessary facilities for its approved business operations and maintain its facilities in the regions covered by its license, including maintaining its network and providing Internet security in accordance with the relevant regulatory standards. The MIIT or its provincial counterparts have the power to require corrective actions after they discover any non-compliance by license holders, and where license holders fail to take those steps, the MIIT or its provincial counterparts have the power to revoke the value-added telecommunications service licenses.

In December 2016, the MIIT promulgated the Notice on Regulating Telecommunications Services Agreement Matters (《關於規範電信服務協議有關事項的通知》) (the "Telecommunications Services Agreement Notice"), which came into effect in February 2017. According to the Telecommunications Services Agreement Notice, telecommunications service providers must require their users to present valid identification certificates and verify the users' identification information before provision of services. Telecommunications service providers are not permitted to provide services to users with unverifiable identity or users who decline to proceed with identity verification.

REGULATIONS OF INTERNATIONAL FREIGHT FORWARDING

Administrative Provisions on International Freight Forwarders of the PRC (《中華人民共和國國際貨物運輸代理業管理規定》) promulgated in 1995 and its detailed rules issued in 2004 regulate the business of international freight forwarding. According to the provisions and its detailed rules, the minimum amount of registered capital must be RMB5 million for an international freight forwarder by sea, RMB3 million for an international freight forwarder by air and RMB2 million for an international freight forwarder by land or for an entity operating international express delivery services. An international freight forwarder must, when each time applying for setting up a branch, increase its registered capital (or the excess amount over its minimum registered capital) by RMB500,000. Under the Measures on Filing of International Freight Forwarders (Interim) (《國際貨運代理企業備案(暫行)辦法》) announced in March 2005 and amended in August 2016, all international freight forwarders and their branches registered with the SAMR must be filed with the MOFCOM or its authorized organs.

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REGULATION OF INTERNET SECURITY

The Decision in Relation to Protection of Internet Security (《關於維護互聯網安全的決定》) enacted by the Standing Committee of the National People's Congress in December 2000, as amended in August 2009, provides that the following activities conducted through the Internet, if constitutes a criminal act under PRC laws, are subject to criminal punishment:

- gaining improper entry into a computer or system of strategic importance;
- disseminating politically disruptive information or obscenities;
- leaking state secrets;
- spreading false commercial information;
- infringing intellectual property rights.

The Administrative Measures on the Security Protection of Computer Information Network with International Connections (《計算機信息網絡國際聯網安全保護管理辦法》), issued by the Ministry of Public Security on December, 1997 and amended in January 2011, prohibit the use of the Internet in a manner that would result in the leakage of state secrets or the spread of socially destabilizing content. The Provisions on Technological Measures for Internet Security Protection (《互聯網安全保護技術措施規定》), promulgated in December 2005 by the Ministry of Public Security require all Internet service providers to keep records of certain information about their users (including user registration information, log in and log out time, IP address, content and time of posts by users) for at least 60 days and submit the above information as required by laws and regulations. Under these measures, value-added telecommunications services license holders must regularly update information security and content control systems for their websites and must also report any public dissemination of prohibited content to local public security authorities. If a value-added telecommunications services license holder violates these measures, the Ministry of Public Security and the local security bureaus may revoke its operating license and shut down its websites.

The Administrative Measures for the Hierarchical Protection of Information Security (《信息安全等級保護管理辦法》) promulgated by the Ministry of Public Security, the State Secrecy Bureau, the State Cipher Code Administration and the Information Office of the State Council on June 22, 2007, divide the security protection of information systems into five grades based on the degree of harm caused by the destruction of the information system to the legitimate rights and interests of citizens, legal persons and other organizations, social public order and public interests and the national security and require the operators of information systems ranking Grade II or above to file an application with the local competent public security authorities within 30 days since the date when its security protection grade is determined or its information system is put into operation.

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Internet security in China is also regulated and restricted from a national security standpoint. In July 2015, the Standing Committee of the National People’s Congress promulgated the PRC National Security Law (《中華人民共和國國家安全法》) (the “**National Security Law**”), which took effect on the same date and replaced the former National Security Law promulgated in 1993. According to the National Security Law, the state shall ensure that the information system and data in important areas are secure and controllable. In addition, according to the National Security Law, the state shall establish national security review and supervision institutions and mechanisms, and conduct national security reviews of key technologies and IT products and services that affect or may affect national security.

In November 2016, the Standing Committee of the National People’s Congress promulgated the Cybersecurity Law, which came into effect in June 2017, and applies to the construction, operation, maintenance and use of networks as well as the supervision and administration of cybersecurity in China. The Cybersecurity Law defines “networks” as systems that are composed of computers or other information terminals and relevant facilities used for the purpose of collecting, storing, transmitting, exchanging and processing information in accordance with certain rules and procedures. “Network operators,” who are broadly defined as owners and administrators of networks and network service providers, are subject to various security protection-related obligations including, among others, security protection, user identity verification, cybersecurity emergency response planning and technical assistance.

According to the Cybersecurity Law, network products and service providers must inform users about and report to the relevant authorities any known security defects and bugs, and must provide continuous security maintenance services for their products and services. Network products and service providers shall not contain or provide malware. Network service providers who do not comply with the Cybersecurity Law may be subject to fines, suspension of their businesses, shutdown of their websites, and revocation of their business licenses. In addition, the Cybersecurity Law provides that personal information and important data collected and generated by operators of critical information infrastructure in the course of their operations in the PRC should be stored in the PRC, and the law imposes heightened regulation and additional security obligations on operators of critical information infrastructure.

In addition, the PRC Anti-Telecom and Online Fraud Law (《中華人民共和國反電信網絡詐騙法》) was promulgated by the Standing Committee of the National People’s Congress in September 2022 and came into effect in December 2022. In order to prevent and curb the telecom and online fraud, the Anti-Telecom and Online Fraud Law reiterates, among others, Internet service providers to obtain real identity information of users before providing certain services including information and software distribution services, etc.

In July 2021, the State Council promulgated the Regulations on Security Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), effective as of September 2021, which provide that a “critical information infrastructure” refers to an important network facility and information system in important industries such as public communications and information services, as well as other important network facilities and

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information systems that may seriously endanger national security, national economy, people's livelihood, or public interests in the event of their damage, loss of function, or data leakage. The competent governmental authorities and supervision and management authorities of the aforementioned important industries will be responsible for (i) identification of critical information infrastructures in their respective industries in accordance with relevant identification rules, and (ii) promptly notifying the identified operators and the public security department of the State Council of the identification results.

In April 2020, the CAC, the NDRC, the MIIT, and several other governmental authorities jointly issued the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the "**Cybersecurity Review Measures**"), which came into effect in June 2020. According to the Cybersecurity Review Measures, the purchase of cyber products and services mainly including core network equipment, high-performance computers and servers, mass storage devices, large databases and application software, network security equipment, cloud computing services, and other products and services that have an important impact on the security of critical information infrastructure which affects or may affect national security is subject to cybersecurity review by the Cybersecurity Review Office. In December 2021, the CAC, together with certain other PRC governmental authorities, promulgated the Revised Cybersecurity Review Measures which replaced the then-effective version and took effect in February 2022. According to the Revised Cybersecurity Review Measures, operators of critical information infrastructure who purchase network products and services and network platform operators who carry out data processing activities that affect or may affect national security shall be subject to cybersecurity review. In addition, network platform operators with personal information of over one million users must apply for a cybersecurity review before listing abroad. Relevant competent governmental authorities may also initiate cybersecurity review if they determine certain network products, services or data processing activities affect or may affect national security. Article 10 of the Revised Cybersecurity Review Measures also sets out certain general factors that are the focus in assessing the national security risk in a cybersecurity review, including (i) the risks of critical information infrastructure being illegally controlled by any individual or organization or subject to interference or destruction; (ii) the harm caused by the disruption of the supply of the product or service to the continuity of critical information infrastructure business; (iii) the security, openness, transparency and diversity of sources of the product or service, the reliability of supply channels, and risks of supply disruption due to political, diplomatic, trade and other factors; (iv) compliance with PRC laws, administrative regulations and department rules by the provider of the product or service; (v) the risk of core data, important data or a large amount of personal information being stolen, leaked, damaged, illegally used, or illegally transmitted overseas; (vi) the risk that critical information infrastructure, core data, important data or a large amount of personal information for a listing being affected, controlled, and maliciously used by foreign governments, as well as network information security risks; and (vii) other factors that may endanger the security of critical information infrastructure, cybersecurity and data security.

Furthermore, in November 2021, the CAC promulgated Draft Regulations on Network Data Security Management (《網絡數據安全管理條例(徵求意見稿)》) (the "**Draft Cyber Data Security Regulations**") for public comments, pursuant to which, data processors shall

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apply for cybersecurity review if they engage in (i) merger, reorganization or division of Internet platform operators with significant data resources related to national security, economic development or public interests that affects or may affect national security; (ii) overseas listing while processing over one million users' personal information; (iii) Hong Kong listing that affects or may affect national security; or (iv) other data processing activities that affect or may affect national security. The Draft Cyber Data Security Regulations also provide that operators of large Internet platforms with headquarters, operation centers or R&D centers overseas shall report to the CAC and relevant authorities. The Draft Cyber Data Security Regulations further require data processors processing important data or going public overseas to conduct annual data security self assessment, and submit the data security assessment report to their respective local branch of the CAC before January 31 each year. Internet platform operators shall also establish and publish data policies and rules on their websites for user comments. In addition, data policies and rules and any material amendments thereof of large Internet platforms with over 100 million daily active users shall be evaluated by a third-party organization designated by the CAC and approved by the respective local branches of the CAC and the MIIT. There is no definite timetable as to whether and when this draft will be enacted. As such, uncertainties exist with respect to the enactment timetable, final content, interpretation and implementation of such measures.

According to the Administrative Provisions on Security Vulnerability of Network Products (《網絡產品安全漏洞管理規定》) jointly promulgated by the MIIT, the CAC and the Ministry of Public Security, which came into effect in September 2021, network product providers, network operators as well as organizations or individuals engaging in the network product security vulnerability discovery, collection, release and other activities shall establish channels to receive information of security vulnerability of their respective network products and shall examine and fix such security vulnerability in a timely manner. Network product providers are required to report relevant security vulnerability of network products with the MIIT within two days of discovery and provide technical support to network product users. Network operators shall take measures to examine and fix security vulnerability after discovering or becoming aware that their networks, information systems or equipment have security loopholes. According to these provisions, the network product providers and network operators who fail to perform the aforementioned obligations may be subject to administrative penalty in accordance with the Cybersecurity Law.

The CAC is responsible for organizing and implementing cybersecurity reviews, while the competent departments in key industries such as finance, telecommunications, energy and transport shall be responsible for organizing and implementing security review of cyber products and services in their respective industries or fields.

In November 2018, the CAC issued the Provisions on Security Assessment of the Internet Information Services with Public Opinion Attributes or Social Mobilization Capacity (《具有輿論屬性或社會動員能力的互聯網信息服務安全評估規定》), which came into effect in November 2018. The provisions require providers of Internet information services to conduct security assessments on their Internet information services if their services include functions that provide channels for the public to express opinions or have the capability of mobilizing

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the public to engage in specific activities. Providers of Internet information services must conduct self-assessment on, among other things, the legality of new technology involved in the services and the effectiveness of security risk prevention measures, and file the assessment report with the local competent cyberspace administration authority and public security authority.

In September 2021, the CAC and the SAMR, together with several other governmental authorities, jointly issued the Guidelines on Strengthening the Comprehensive Regulation of Algorithm for Internet Information Services (《關於加強互聯網信息服務算法綜合治理的指導意見》), which provide that relevant regulators shall carry out daily monitoring of data use, application scenarios and effects of algorithms, and conduct security assessments of algorithm, and that an algorithm filing system shall be established and classification and hierarchical security management of algorithms shall be adopted. In December 2021, the CAC, the MIIT, the Ministry of Public Security and the SAMR jointly promulgated the Algorithm Recommendation Provisions, which came into effect in March 2022. The Algorithm Recommendation Provisions implement the classification and hierarchical management of algorithm recommendation service providers based on various criteria, and stipulate that algorithm recommendation service providers shall clearly inform users of their provision of algorithm recommendation services, and properly publicize the basic principles, intentions, and main operating mechanisms of algorithm recommendation services, and that algorithm recommendation service providers selling goods or providing services to consumers shall protect consumers' rights of fair trade, and are prohibited from carrying out illegal conduct such as unreasonable differentiated treatment on transaction conditions based on consumers' preferences, purchasing habits, or such other characteristics.

In addition, the Administrative Provisions on Deep Synthesis of Internet Information Services (《互聯網信息服務深度合成管理規定》), which took effect in January 2023, impose obligations on providers, technology supporters and users of deep synthesis technology, including verification of user identity, implementing measures to protect data security and personal information, content moderation, labeling content generated using deep synthesis technology, and conducting security assessment and completing filings for provision of certain services.

In July 2023, the CAC together with other relevant authorities, released the Interim Measures on Generative AI Services (《生成式人工智能服務管理暫行辦法》), which came into effect in August 2023 and mainly impose compliance requirements on providers of generative AI services. According to the Interim Measures on Generative AI Services, individuals or organizations that provide generative AI services of text, image, audios, videos and other content shall be responsible as the producers of such network information content and as the personal information processors to protect any personal information involved. Providers of generative AI services shall enter into service agreements with users registering for their generative AI services and shall adopt effective measures to prevent minor users from over-relying or addicting to generative AI services. In the event where illegal content or users engaging in illegal activities using generative AI services are discovered, the generative AI services providers are required to take appropriate measures, including stopping the generation

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of such illegal content and suspending or terminating the provision of services, undergo rectifications, keep relevant records and report to the competent authority. Any provider of generative AI services with attribute of public opinions or capable of social mobilization shall conduct security assessment and complete certain filings in accordance with the Algorithm Recommendation Provisions. Providers of generative AI services may be subject to penalties for non-compliance, including warning, public denouncement, rectification orders and suspension of the provision of relevant services.

REGULATION OF DATA AND PRIVACY PROTECTION

Under the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》), Internet service providers are prohibited from producing, copying, publishing or distributing information that is humiliating or defamatory to others or that infringes upon the lawful rights and interests of others. Depending on the nature of the violation, Internet service providers may face criminal charges or sanctions by PRC public security authorities for these acts, and may be ordered to temporarily suspend their services or have their licenses revoked. Under the rules issued by the MIIT, ICPs are also prohibited from collecting any personal user information or providing any information to third parties without the consent of the user.

The Cybersecurity Law provides an exception to the consent requirement where the information is anonymous, not personally identifiable and unrecoverable. Network operators must expressly inform the users of the method, content and purpose of the collection and processing of user's personal information and may only collect information necessary for its services. Network operators are also required to properly maintain the user personal information, and in case of any leak or likely leak of the user's personal information, network operators must take remedial measures immediately and report to relevant competent authority in accordance with law. The PRC regulatory authorities retain the power and authority to order network operators to provide an Internet user's personal information if a user posts any prohibited content or engages in any illegal activities through the Internet. According to the Cybersecurity Law, individuals may request that network operators make corrections to or delete their personal information in case the information is wrong or was collected or used beyond an individual's agreement with network operators.

In June 2021, the Standing Committee of the National People's Congress promulgated the Data Security Law (《數據安全法》) which took effect in September 2021. The Data Security Law provides for data security and privacy obligations of entities and individuals carrying out data activities, prohibits entities and individuals in China from providing any foreign judicial or law enforcement authority with any data stored in China without approval from the competent PRC authority, and sets forth the legal liabilities of entities and individuals found to be in violation of their data protection obligations, including rectification order, warning, fine, suspension of relevant business, and revocation of business permits or licenses. The Data Security Law also introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or

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used, and an appropriate level of protection measures is required to be taken for the respective categories of data, for example, the processor of important data shall designate the personnel and management institution responsible for the data security, carry out risk assessment for its data processing activities and file the risk assessment report with the competent authorities. In addition, the Data Security Law provides a national security review procedure for those data activities which may affect national security and imposes export restrictions on certain data and information.

On May 28, 2020, the National People's Congress adopted the PRC Civil Code (《中華人民共和國民法典》) (the "**Civil Code**"), which came into effect on January 1, 2021. Pursuant to the Civil Code, the personal information of a natural person shall be protected by the law. Any organization or individual shall legally obtain such personal information of others when necessary and ensure the safety of such information, and shall not illegally collect, store, use, process or transmit personal information of others, or illegally provide or disclose personal information of others. Personal information of natural persons refers to all kinds of information recorded by electronic or otherwise that can be used to independently identify or be combined with other information to identify the natural persons' names, date of birth, ID numbers, biometric information, addresses, telephone numbers, e-mail addresses, health information, whereabouts, etc. The Civil Code revised the internet tort liability and further elaborated on "safe harbour" rule with respect to an internet service provider from both the aspects of notice and counter notice, including (i) upon receiving notice from the right holder that any network users infringe on his/her civil rights, promptly adopting necessary protective measures such as deletion, screening or disconnection of hyperlinks and referring right holders' notice to disputed internet user; and (ii) upon receiving counter-notice from the disputed internet user, referring such counter-notice to the claiming right holder and informing him/her to take other corresponding measures such as filing complaint with competent authorities or suit with courts. The Civil Code also provides that where the internet service provider knew or should have known the infringing acts of the network user but take no necessary measures, it shall be jointly and severally liable with such internet user.

In August 2021, the Standing Committee of the National People's Congress promulgated the Personal Information Protection Law (《個人信息保護法》) which took effect in November 2021. The Personal Information Protection Law requires, among others, that (i) the processing of personal information should have a clear and reasonable purpose which should be directly related to the processing purpose, using a method that has the least impact on personal rights and interests, and (ii) the collection of personal information should be limited to the minimum scope necessary to achieve the processing purpose to avoid the excessive collection of personal information.

Different types of personal information and personal information processing will be subject to various rules on consent, transfer, and security. Entities handling personal information shall bear responsibility for their personal information handling activities, and adopt necessary measures to safeguard the security of the personal information they handle. Otherwise, personal information processors could be subject to liability for their processing activities, including rectification, or suspension or termination of their provision of their

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services as well as confiscation of illegal income, fines or other penalties. As the Data Security Law, the Personal Information Protection Law and relevant rules and regulations are constantly evolving and may be amended from time to time, we may be required to make further adjustments to our business practices to comply with these laws, rules and regulations.

In the meantime, the PRC regulatory authorities have also enhanced the supervision and regulation on cross-border data transfer. In July 2022, the CAC promulgated the Measures for the Security Assessment of Cross-border Data Transmission (《數據出境安全評估辦法》), which came into effect in September 2022 and regulate the security assessment on the cross-border data transfer by data processor of important data and personal information collected and generated during operations within the PRC. According to these measures, data processors will be subject to security assessment conducted by the CAC prior to any cross-border transfer of data if the transfer involves (i) important data; (ii) personal information transferred overseas by operators of critical information infrastructure or a data processor that has processed personal data of more than one million persons; (iii) personal information transferred overseas by a data processor who has already provided personal data of 100,000 persons or sensitive personal data of 10,000 persons overseas since January 1 of last year; or (iv) other circumstances as requested by the CAC. According to the official interpretation by the official of the CAC, cross-border data transfer activities subject to these measures include (1) the transmission and storage overseas by data processors of the data generated during PRC domestic operations, and (2) the access to or use of the data collected and generated by data processors and stored in the PRC by overseas institutions, organizations or individuals. Furthermore, any cross-border data transfer activities conducted in violation of the Measures for the Security Assessment of Cross-border Data Transmission before the effectiveness of these measures are required to be rectified by end of February 2023.

Another example is that, on February 24, 2023, the Provisions on the Prescribed Agreement on Cross-border Data Transfer (《個人信息出境標準合同辦法》) (the “**Provisions on Prescribed Agreement**”) were promulgated by the CAC, which took effect on June 1, 2023. The Provisions on Prescribed Agreement attach the prescribed template for cross-border data transfer agreement that could be used to satisfy one of the conditions for cross-border transfer of personal information under Article 38 of the Personal Information Protection Law.

In August 2023, the Company has obtained the approval from the CAC for the security assessment on the cross-border transfer of personal information involved in the scenario applied by the Company.

The Administrative Provisions on the Security of Personal Information of Express Service Users (《寄遞服務用戶個人信息安全管理規定》), promulgated by the State Post Bureau in March 2014 and amended in February 2023, provides for the protection of the personal information of users of express or express delivery services, and the supervision on the express operations of postal enterprises and express delivery companies. In accordance with these provisions, the state postal administrative department and its local counterparts are the supervising and administering authority responsible for the security of the personal information of users of express or express delivery services, and postal enterprises and express

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delivery companies must establish and refine systems and measures for the security of such information. Specifically, express delivery companies must enter into confidentiality agreements with its employees regarding the information of its clients or users to specify confidentiality obligations and liabilities for violation thereof.

REGULATION OF CONSUMER PROTECTION

Our online and mobile commerce business is subject to a variety of consumer protection laws, including the PRC Consumer Rights and Interests Protection Law (《中華人民共和國消費者權益保護法》), as amended and effective as of March 2014, and the Online Trading Measures, both of which have imposed stringent requirements and obligations on business operators, including Internet business operators and platform service providers. Failure to comply with these consumer protection laws could subject us to administrative sanctions, such as the issuance of a warning, confiscation of illegal income, imposition of a fine, an order to cease business operations, revocation of business licenses, as well as potential civil or criminal liabilities.

REGULATION OF MOBILE APPS

In June 2016, the CAC promulgated the Regulations for the Administration of Mobile Internet Application Information Services (《移動互聯網應用程序信息服務管理規定》), which came into effect in August 2016, requiring mobile app providers to, among other things, verify the real identities of registered users through mobile phone numbers or other similar channels; establish and improve procedures for protection of user information; and establish and improve procedures for information content censorship.

If a mobile app provider violates these regulations, mobile app stores through which the mobile app provider distributes its apps may issue warnings, suspend the release of its apps, or terminate the sale of its apps, and/or report the violations to governmental authorities.

In June 2022, the CAC promulgated the revised Regulations for the Administration of Mobile Application Information Services, which came into effect in August 2022 and replaced the then effective Administration of Mobile Application Information Services. Pursuant to the revised Regulations for the Administration of Mobile Application Information Services, mobile app providers shall comply with relevant provisions on the scope of necessary personal information when engaging in personal information processing activities and shall not compel users to agree to non-essential personal information collection or ban users from their basic functional services due to their refusal of providing unnecessary personal information. In addition, mobile app providers shall, among other things, verify the real identities of registered users; establish and improve procedures for protection of user information and information content censorship, fulfill data security protection obligations and various obligations of minors' protection, and shall not induce users to download the applications by illegal methods or bad information. Furthermore, mobile app providers who launch new technologies, applications or functions with the attribute of public opinion or the ability of social mobilization shall conduct security assessment in accordance with the relevant provisions. If an application provider violates these regulations, application distribution platforms may issue

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warnings, suspend the release of its applications, or terminate the sale of its applications, and/or report the violations to governmental authorities, and the application provider may be imposed administrative penalty by the CAC and relevant competent authorities in accordance with relevant laws and regulations.

Pursuant to the Announcement of Conducting Special Supervision against the Illegal Collection and Use of Personal Information by Apps (《關於開展App違法違規收集使用個人信息專項治理的公告》), which was issued by the CAC, the MIIT, the Ministry of Public Security, and the SAMR on January 23, 2019, app operators shall collect and use personal information in compliance with the Cybersecurity Law and shall be responsible for the security of personal information obtained from users and take effective measures to strengthen personal information protection. Furthermore, app operators shall not force their users to make authorisation by means of default, bundling, suspending installation or use of the app or other similar means and shall not collect personal information in violation of laws, regulations or breach of user agreements. Such regulatory requirements were emphasised by the Notice on the Special Rectification of Apps Infringing upon User’s Personal Rights and Interests (《關於開展APP侵害用戶權益專項整治工作的通知》) issued by the MIIT on October 31, 2019. On November 28, 2019, the CAC, the MIIT, the Ministry of Public Security and the SAMR jointly issued the Methods of Identifying Illegal Acts of Apps to Collect and Use Personal Information (《App違法違規收集使用個人信息行為認定方法》). This regulation further illustrates certain common illegal practices of app operators in terms of personal information protection and specifies acts of app operators that will be considered as “collection and use of personal information without users’ consent”.

According to the Provisions on the Scope of Necessary Personal Information Required for Common Types of Mobile Internet Applications (《常見類型移動互聯網應用程序必要個人信息範圍規定》) which became effective as of May 2021, clarifying that necessary personal information means the personal information necessary for ensuring the normal operation of the basic functional services of the apps, without which the app cannot perform its basic functional services.

REGULATIONS OF PRICING

In China, the prices of a very small number of products and services are guided or fixed by the government. According to the PRC Pricing Law (《中華人民共和國價格法》) (the “**Pricing Law**”), business operators must, as required by the government departments in charge of pricing, mark the prices explicitly and indicate the name, production origin, specifications, and other related particulars clearly. Business operators may not sell products at a premium or charge any fees that are not explicitly indicated. Business operators must not conduct unlawful pricing activities, such as colluding with others to manipulate the market price, providing fraudulent discounted price information, using false or misleading prices to deceive consumers to transact, or conducting price discrimination against other business operators. In addition, in July 2021, the SAMR released the revised draft Provisions on the Administrative Penalties on Price-related Violations for public comment, which proposed significant penalties, including fines of up to 10% of revenue during the violation period, suspension of business or revocation

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of business license, for a number of price-related violations, such as below-cost pricing to squeeze out competitors, price discrimination, manipulation of market prices and fraudulent pricing. In particular, improper pricing by e-commerce platform operators, including the use of big data analysis, algorithms or other technologies to conduct differentiated pricing and price subsidies, may be subject to significant penalties, including fines of up to 5% of prior year's revenue, suspension of business and revocation of business license. Failure to comply with the Pricing Law or other rules or regulations on pricing may subject business operators to administrative sanctions such as warnings, orders to cease unlawful activities, payment of compensation to consumers, confiscation of illegal gains, and/or fines. The business operators may be ordered to suspend business for rectification, or have their business licenses revoked if the circumstances are severe.

REGULATIONS OF LEASING

We lease properties for our offices, warehouses, sorting centers, pickup and delivery outlets and other facilities. Pursuant to the Law on Administration of Urban Real Estate of the PRC (《中華人民共和國城市房地產管理法》) which took effect in January 1995 with the latest amendment in August 2019, which became effective as of January 2020, lessors and lessees are required to enter into a written lease contract, containing such provisions as the term of the lease, the use of the premises, rental price, liability for repair, and other rights and obligations of both parties. Both lessor and lessee are also required to file for registration and record the lease contract with the real estate administration department. Pursuant to Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》), if the lessor and lessee of commodity housing on State-owned land within urban planning zone fail to go through the registration procedures, both lessor and lessee may be subject to orders to make correction within a time limit and fines.

According to the Civil Code which took effect in January 2021, the lessee may sublease the leased premises to a third party, subject to the consent of the lessor. Where the lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease contract if the lessee subleases the premises without the consent of the lessor. In addition, if the ownership of the leased premises changes during the lessee's possession in accordance with the terms of the lease contract, the validity of the lease contract shall not be affected.

Pursuant to the Civil Code, if the mortgaged property has been leased and transferred for occupation prior to the establishment of the mortgage right, the original tenancy shall not be affected by such mortgage right. According to the Interpretation of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Cases about Disputes Over Lease Contracts on Urban Buildings (2020 version) (《最高人民法院關於審理城鎮房屋租賃合同糾紛案件具體應用法律若干問題的解釋(2020修正)》), which took effect in January 2021, if the ownership of the leased premises changes during lessee's possession in accordance with the terms of the lease contract, and the lessee requests the assignee to continue to perform the

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original lease contract, the PRC court shall support it, except that the mortgage right has been established before the lease of the leased premises and the ownership changes due to the mortgagee's realization of the mortgage right.

REGULATIONS OF LAND USE RIGHT AND CONSTRUCTION

Certain of our offices, sorting hubs and other facilities, together with the land use rights attached, are obtained or built by us. Pursuant to Land Administration Law of the PRC (《中華人民共和國土地管理法》) promulgated by the Standing Committee of the National People's Congress on June, 1986 with the latest amendment in August 2019, which became effective in January 2020, and Civil Code, any entity that needs land for the purposes of construction must obtain land use right and must register with local counterparts of Land and Resources Ministry. Land use right is established at the time of registration.

According to the Measures for Control and Administration of Grant and Assignment of Right to Use Urban State-owned Land (《城市國有土地使用權出讓轉讓規劃管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development on December, 1992 with the amendment in January 2011, and the PRC Law on Urban and Rural Planning (《中華人民共和國城鄉規劃法》) promulgated by the National People's Congress on October, 2007 and became effective in January 2008 with the latest amendment in April 2019, the Measures for Administration of Permission for Commencement of Construction Works (《建築工程施工許可管理辦法》) promulgated by the Ministry of Housing Construction and Urban-Rural Development with the latest amendment in March 2021, the Interim Administrative Measures for Archival Filing on Inspection Upon Completion of Buildings and Municipal Infrastructure (《房屋建築工程和市政基礎設施工程竣工驗收備案管理暫行辦法》) promulgated by the Ministry of Housing and Urban-Rural Development in April 2000 and most recently amended in October 2009, and the Regulations on the Quality Management of Construction Engineering (《建設工程質量管理條例》) promulgated by the State Council in January 2000 and most recently amended in April 2019, after obtaining land use right, the owner of land use right must obtain construction land planning permit, construction works planning permit from the relevant municipal planning authority, and a construction permit from relevant construction authority in order to commence construction. After a building is completed, an examination of completion by the relevant governmental authorities and experts must be organised.

REGULATIONS OF ENVIRONMENTAL PROTECTION

Pursuant to the PRC Law on Environment Impact Assessment (《中華人民共和國環境影響評價法》) promulgated by the Standing Committee of the National People's Congress in October 2002 and most recently amended in December 2018, and the Administrative Regulations on the Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) promulgated by the State Council in November 1998 with the latest amendment in July 2017, Based on the different extent of environmental impact, a construction project shall be subject to preparation of an environmental impact report or an environmental impact statement, or completion of a registration form on environmental impact. For a construction project which is required to prepare an environment impact report or environment impact

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statement pursuant to the law, the builder shall, prior to commencement of construction, submit the environment impact report or environment impact statement to the competent environmental protection administrative authorities for examination and approval. In the event that there is a material change in respect of the location, scale, nature of the construction project, the production techniques employed or the measures adopted for preventing pollution and preventing ecological damage of a given project, a new environmental impact assessment report must be submitted for approval. Subject to the Administrative Regulations on the Environmental Protection of Construction Projects, and the Interim Measures on the Administration of Acceptance Inspection of Construction Project Environmental Protection (《建設項目竣工環境保護驗收暫行辦法》) promulgated in November 2017, the constructing entities may organise the acceptance inspection upon the completion by themselves for other construction projects. Failure to comply with the above-mentioned regulations may subject an enterprise to fines, rectification within time limit and other administrative liabilities and even criminal liabilities under severe circumstances.

Pursuant to the Regulation on Urban Drainage and Sewage Treatment (《城鎮排水與污水處理條例》) promulgated by the State Council in October 2013 and the Measures for the Administration of Licenses for the Discharge of Urban Sewage into the Drainage Pipe Network (《城鎮污水排入排水管網許可管理辦法》), enterprises, institutions and individually-owned businesses engaging in industry, construction, food and beverage, medical services, etc. (hereinafter referred to as the "drainers") which discharge sewage into urban drainage facilities shall apply to the competent departments for a Permit for sewage discharge into the drainage pipe network. Failure to comply with the above-mentioned regulations may subject the drainers to orders to cease unlawful sewage discharge activities, to take treatment measures within a time limit and to re-apply for the permit, a fine up to RMB500,000, and any liabilities resulted from losses caused by such violation.

REGULATIONS OF FIRE SECURITY

Pursuant to the Fire Protection Law of the PRC (《中華人民共和國消防法》) which was most recently amended in April 2021, and the Measure for Supervision on and Inspection of Fire Protection (《消防監督檢查規定》) which was most recently amended in July 2012, enterprises shall implement a fire safety accountability system, install firefighting facilities and equipment, conduct a yearly comprehensive inspection of firefighting facilities and keep the inspection records for future reference, and perform other fire safety measures as well as other fire safety and protection responsibilities. Pursuant to Interim Provisions on the Administration of Fire Protection Design Review and Final Inspection of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) (the "**Interim Provisions Regarding Fire Protection**"), effective as of June 2020, a special construction project as stipulated in the Interim Provisions Regarding Fire Protection shall be subject to fire protection design review before such project commenced construction and shall be subject to fire protection inspection before such project was put into use. Construction projects other than a special construction project shall be subject to fire protection inspection recordation, and the competent department of housing and urban-rural development shall conduct a random fire protection inspection thereof. If the project fails to pass the random fire protection inspection, such project shall cease to be used.

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REGULATIONS OF TAXATION

The PRC Enterprise Income Tax

The PRC enterprise income tax ("EIT") is calculated based on the taxable income determined under the applicable EIT Law, and its implementation rules, both of which became effective in January 2008 and were most recently amended in December 2018 and April 2019, respectively. The EIT Law generally imposes a uniform enterprise income tax rate of 25% on all resident enterprises in China, including foreign-invested enterprises.

The EIT Law and its implementation rules permit certain High and New Technologies Enterprises to enjoy a reduced 15% enterprise income tax rate if they meet certain criteria and are officially acknowledged.

PRC VAT

According to the amended Interim Regulation of the People's Republic of China on Value Added Tax (《中華人民共和國增值稅暫行條例》) issued by the State Council in November 2017, a VAT rate of 6% applies to revenue derived from the provision of certain services. A taxpayer is allowed to offset the qualified input VAT paid on taxable purchases against the output VAT chargeable on the revenue from services provided.

In March 2019, the Ministry of Finance, the STA, and the General Administration of Customs issued the Announcement on Policies for Deepening VAT Reform (《關於深化增值稅改革有關政策的公告》) ("Announcement 39"), which came into effect in April 2019, to further slash VAT rates. According to Announcement 39, (i) the 16% or 10% VAT previously imposed on sales and imports by general VAT taxpayers is reduced to 13% or 9% respectively; (ii) the 10% purchase VAT credit rate allowed for procured agricultural products is reduced to 9%; (iii) the 13% purchase VAT credit rate allowed for agricultural products procured for production or commissioned processing is reduced to 10%; and (iv) the 16% or 10% export VAT refund rate previously granted to exportation of goods or labor services is reduced to 13% or 9%, respectively.

PRC Withholding Tax

Pursuant to the EIT Law, a 10% withholding tax is generally levied on dividends declared by companies in Chinese Mainland to their non-resident enterprise investors. A lower withholding tax rate of 5% is applicable for direct foreign investors incorporated in Hong Kong with at least 25% equity interest in the PRC company and meeting the relevant conditions or requirements pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》).

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Pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. Furthermore, the Administrative Measures for Non-Resident Taxpayer to Enjoy Treatments under Tax Treaties (《非居民納稅人享受稅收協定待遇管理辦法》) (the “**STA Circular 60**”), which became effective in November 2015, requires that non-resident enterprises which satisfy the criteria for entitlement to tax treaty benefits may, at the time of tax declaration or withholding declaration through a withholding agent, enjoy the tax treaty benefits, and be subject to ongoing administration by the tax authorities. In the case where the non-resident enterprises do not apply to the withholding agent to claim the tax treaty benefits, or the materials and the information stated in the relevant reports and statements provided to the withholding agent do not satisfy the criteria for entitlement to tax treaty benefits, the withholding agent should withhold tax pursuant to the provisions of the PRC tax laws. The STA issued the Announcement of State Taxation Administration on Promulgation of the Administrative Measures on Non-resident Taxpayers Enjoying Treaty Benefits (國家稅務總局關於發佈《非居民納稅人享受協定待遇管理辦法》的公告) (the “**STA Circular 35**”) on October 14, 2019, which became effective on January 1, 2020. The STA Circular 35 further simplified the procedures for enjoying treaty benefits and replaced the STA Circular 60. According to the STA Circular 35, no approvals from the tax authorities are required for a non-resident taxpayer to enjoy treaty benefits, where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding through the withholding agent, provided that it shall gather and retain the relevant materials as required for future inspection, and shall be subject to oversight by the tax authorities. There are also other conditions for enjoying the reduced withholding tax rate according to other relevant tax rules and regulations. According to the Circular of the State Administration of Taxation on Several Issues regarding the “Beneficial Owner” in Tax Treaties (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》), which was issued on February 3, 2018 by the STA, effective as of April 1, 2018, when determining the applicant’s status of the “beneficial owner” regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including without limitation, whether the applicant is obligated to pay more than 50% of its income in twelve months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grant tax exemption on relevant incomes or levy tax at an extremely low rate, will be taken into account and be analyzed on a case-by-case basis. This circular further provides that applicants who intend to prove its status of the “beneficial owner” shall submit the relevant documents to the relevant tax bureau according to the STA Circular 35.

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REGULATION OF FOREIGN DEBTS

The Foreign Debts Measure, was promulgated by NDRC in January 2023 and came in effect in February 2023, requiring that the PRC enterprises and overseas enterprises or branches controlled by them, including holding companies with a VIE structure, to complete application for registration of foreign debts with the NDRC prior to the borrowing of foreign debts with a term of over one year.

REGULATION OF INTELLECTUAL PROPERTY RIGHTS

The PRC has adopted comprehensive legislation governing intellectual property rights, including copyrights, patents, trademarks and domain names.

Copyright

Copyright in the PRC, including copyrighted computer software, is principally protected under the Copyright Law of the PRC (《中華人民共和國著作權法》) (the “**Copyright Law**”), which was most recently amended in November 2020 and became effective in June 2021, and its implementation rules. According to the Copyright Law, the term of protection for copyrighted computer software shall be 50 years. Reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein, unless otherwise provided in the Copyright Law, shall constitute infringements of copyrights. The infringer shall, according to the circumstances of the case, undertake to cease the infringement, take remedial action, and offer an apology, pay damages, etc.

Patent

The Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the Standing Committee of the National People’s Congress in March 1984, which was most recently amended in October 2020 and became effective in June 2021, provides for three types of patents, “invention”, “utility” and “design”. To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. The National Intellectual Property Administration is responsible for examining and approving patent applications.

Trademark

The Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the Standing Committee of the National People’s Congress in August 1982 with the latest amendment being effective in November 2019, and its implementation rules promulgated by the State Council in August 2002 with the latest amendment being effective in May 2014, protect registered trademarks. The Trademark Office of National Intellectual Property Administration is responsible for the registration and administration of trademarks throughout the PRC. The Trademark Law has adopted a “first-to-file” principle with respect to trademark

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registration. A registration application for a trademark that is identical or similar to another trademark which has already been registered or given preliminary examination may be rejected. Trademark registration is effective for a renewable ten-year period, unless otherwise revoked.

Domain Name

Domain names are protected under the Administrative Measures on the Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the MIIT in August 2017 and became effective in November 2017. The MIIT is the major regulatory body responsible for the administration of the PRC internet domain names, under supervision of which the China Internet Network Information Center is responsible for the daily administration of .cn domain names and Chinese domain names. CNNIC adopts the "first to file" principle with respect to the registration of domain names. In November 2017, the MIIT promulgated the Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Providing Internet-based Information Services (《工業和信息化部關於規範互聯網信息服務使用域名的通知》), which became effective in January 2018. Pursuant to the notice, the domain name used by an internet-based information service provider in providing internet-based information services must be registered and owned by such provider in accordance with the law. If the internet-based information service provider is an entity, the domain name registrant must be the entity (or any of the entity's shareholders), or the entity's principal or senior manager.

REGULATION OF FOREIGN EXCHANGE AND DIVIDEND DISTRIBUTION

Foreign Exchange Regulation

The principal regulations governing foreign currency exchange in China are the Regulations on Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》). Under the PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, may be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses, such as the repayment of foreign currency-denominated loans, or foreign currency is to be remitted into China under the capital account, such as capital increases or foreign currency loans to our PRC subsidiaries.

In June 2016, SAFE issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《關於改革和規範資本項目結匯管理政策的通知》) ("Circular 16"), which took effect on the same day. Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding Renminbi obtained from foreign exchange settlement is not restricted from being used to extend loans to related parties or repay the inter-company loans (including advances by third parties).

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In January 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) (“**Circular 3**”), which took effect on the same day. Circular 3 sets out various capital control measures with respect to outbound remittance of funds from PRC entities to offshore entities. Circular 3 requires banks to verify board resolutions, tax filing forms, and audited financial statements before wiring foreign invested enterprises’ foreign exchange distribution above US\$50,000. Moreover, pursuant to Circular 3, PRC entities must explain in detail the sources of capital and how the capital will be used, and provide board resolutions, contracts and other proof as a part of the registration procedure for outbound investment.

In October 2019, SAFE issued the Notice of Further Facilitating Cross-border Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》) (“**Circular 28**”), which took effect on the same day. Circular 28 allows non-investment foreign-invested enterprises to use their capital funds to make equity investments in China, provided that such investments do not violate the negative list and the target investment projects are genuine and in compliance with laws. According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business issued by SAFE in April 2020, eligible enterprises are allowed to make PRC domestic payments with their income under capital accounts such as capital funds, foreign debts and proceeds from overseas listing without submitting evidence of genuineness to the banks in advance, provided the use of such funds is genuine and in compliance with administrative regulations on the use of income under capital accounts.

We typically do not need to use our offshore foreign currency to fund our PRC operations. In the event we need to do so, we will apply to obtain the relevant approvals of SAFE and other PRC governmental authorities as necessary. Our PRC subsidiaries’ distributions to their offshore parent companies and our cross-border foreign exchange activities are required to comply with the various requirements under the relevant foreign exchange rules.

Regulation of Dividend Distribution

The principal laws, rules and regulations governing dividend distribution by foreign-invested enterprises in the PRC are the Company Law of the PRC (《中華人民共和國公司法》), as amended, which applies to both PRC domestic companies and foreign-invested companies, and the 2019 PRC Foreign Investment Law and its implementation rules, which apply to foreign-invested companies. Under these laws, rules and regulations, foreign-invested enterprises may pay dividends only out of their accumulated profit, if any, as determined in accordance with PRC accounting standards and regulations. Both PRC domestic companies and wholly-foreign owned PRC enterprises are required to set aside as general reserves at least 10% of their after-tax profit, until the cumulative amount of their reserves reaches 50% of their registered capital. A PRC company is not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

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Foreign Exchange Registration of Overseas Investment by PRC Residents

In 2014, SAFE issued SAFE Circular 37. The SAFE Circular 37 regulates foreign exchange matters in relation to offshore investments and financing or round-trip investments of residents or entities by way of special purpose vehicles in China. Under the SAFE Circular 37, a "special purpose vehicle" refers to an offshore entity established or controlled, directly or indirectly, by PRC residents or entities for the purpose of seeking offshore financing or making offshore investments, using legitimate onshore or offshore assets or interests, while "round-trip investment" refers to direct investments in China by PRC residents or entities through special purpose vehicles, namely, establishing foreign investment enterprises to obtain ownership, control rights and management rights. The SAFE Circular 37 provides that, before making a contribution into a special purpose vehicle, PRC residents or entities are required to complete foreign exchange registration with SAFE or its local branch, and in the event of a change of basic information, such as the individual shareholder, name, operation term, etc., or if there is a capital increase, decrease, equity transfer or swap, merger, spin-off or other amendment of material items, the PRC residents or entities shall complete a change of foreign exchange registration formality for offshore investments.

In 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment. This notice amended the SAFE Circular 37 by requiring PRC residents or entities to register with qualified banks rather than SAFE or its local branches in relation to their establishment or control of offshore entities for the purpose of overseas investment or financing. PRC residents or entities who had contributed legitimate onshore or offshore interests or assets to special purpose vehicles but had not registered as required before the implementation of the SAFE Circular 37 must register their ownership interests or control in the special purpose vehicles with qualified banks. Amendments to the registration are required if there is any material change with respect to the registered special purpose vehicle, such as any change of basic information (including change of the PRC residents, name and operation term), increases or decreases in the investment amount, transfers or exchanges of shares, or mergers or divisions. Failure to comply with the registration procedures as set forth in the SAFE Circular 37 and the subsequent notice, or making misrepresentations or failure to disclose the control of a foreign investment enterprise which is established through round-trip investments, may result in restrictions being imposed on the foreign exchange activities of the relevant foreign investment enterprise, including payment of dividends and other distributions, such as proceeds from any reduction in capital, share transfer or liquidation, to its offshore parent or affiliate, and the capital inflow from the offshore parent, and may also subject relevant PRC residents or entities to penalties under PRC foreign exchange administration regulations.

Stock Incentive Plans

In February 2012, SAFE promulgated the Notice on Foreign Exchange Administration of PRC Residents Participating in Share Incentive Plans of Offshore Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the "Stock Option Rules"), replacing the previous rules issued by SAFE in March 2007. Under the

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Stock Option Rules and other relevant rules and regulations, domestic individuals, which means PRC residents and non-PRC citizens residing in China for a continuous period of not less than one year, subject to a few exceptions, who participate in a stock incentive plan in an overseas publicly-listed company, are required to register with SAFE or its local branches and complete certain other procedures.

Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly-listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. The PRC agents must, on behalf of the PRC residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such PRC residents. In addition, the SAFE Circular 37 provides that PRC residents who participate in a share incentive plan of an overseas unlisted special purpose company may register with SAFE or its local branches before exercising rights.

LABOR LAWS AND SOCIAL INSURANCE

Pursuant to the PRC Labor Law (《中華人民共和國勞動法》) and the PRC Labor Contract Law (《中華人民共和國勞動合同法》) (the "**Labor Contract Law**"), employers must execute written labor contracts with full-time employees. All employers must comply with local minimum wage standards. Violations of the Labor Contract Law and the PRC Labor Law may result in the imposition of fines and other administrative and criminal liability in the case of serious violations. In addition, the Labor Contract Law also imposes requirements on the use of employees of temp agencies, who are known in China as "dispatched workers". Dispatched workers are entitled to equal pay with fulltime employees for equal work. Employers are only allowed to use dispatched workers for temporary, auxiliary or substitutive positions. The Interim Provisions on Labor Dispatching (《勞務派遣暫行規定》), issued by the Ministry of Human Resources and Social Security of the PRC in January 2014 and came into effect in March 2014, requires the number of dispatched workers to not exceed 10% of the total number of workers, which refers to the sum of the number of employees with a labor contract with the employer and the number of dispatched workers the employer employed.

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In addition, according to the PRC Social Insurance Law (《中華人民共和國社會保險法》) and the Regulations on the Administration of Housing Funds (《住房公積金管理條例》), employers in China must provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing funds.

In June 2021, the Ministry of Transport, the State Post Bureau, the NDRC, the Ministry of Human Resources and Social Security, the MOFCOM, the SAMR, and the All-China Federation of Trade Unions jointly issued the Opinions on Protecting the Legal Rights and Benefits of the Couriers Group (《關於做好快遞員群體合法權益保障工作的意見》), which provides certain guidelines in respect of, among others, the Couriers’ base salary, social security and insurance policy.

REGULATION OF OVERSEAS LISTING AND M&A

In August 2006, six PRC governmental and regulatory agencies, including the MOFCOM and the CSRC, jointly promulgated the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”), a new regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective in September 2006 and revised in June 2009. Foreign investors shall comply with the M&A Rules when they purchase equity interests of a domestic company or subscribe for the increased capital of a domestic company, and thus changing the nature of the domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in the PRC for the purpose of purchasing the assets of a domestic company and operating the asset; or when the foreign investors purchase the asset of a domestic company, establish a foreign-invested enterprise by injecting such assets, and operate the assets. The M&A Rules, among other things, purports to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange.

The PRC government has enhanced its regulatory oversight of Chinese companies listing overseas. The Opinions on Intensifying Crack Down on Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》) issued in July 2021 called for (i) tightening oversight of data security, cross-border data flow and administration of classified information, as well as amendments to relevant regulations to specify responsibilities of overseas listed Chinese companies with respect to data security and information security; (ii) enhanced oversight of overseas listed companies as well as overseas equity fundraising and listing by Chinese companies; and (iii) extraterritorial application of PRC securities laws.

Furthermore, in February 2023, the CSRC released the Overseas Listing Trial Measures, which took effect from March 31, 2023, requiring Chinese domestic companies’ overseas offerings and listings of equity securities be filed with the CSRC. The Overseas Listing Trial Measures clarify the scope of overseas offerings and listings by Chinese domestic companies

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which are subject to the filing and reporting requirements thereunder. According to the Trial Measures, (i) Chinese domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC; if a Chinese domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such Chinese domestic company may be subject to administrative penalties, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines; (ii) if the issuer meets both of the following conditions, the overseas offering and listing shall be determined as an indirect overseas offering and listing by a Chinese domestic company: (a) any of the total assets, net assets, revenues or profits of the domestic operating entities of the issuer in the most recent accounting year accounts for more than 50% of the corresponding figure in the issuer's audited consolidated financial statements for the same period; (b) its major operational activities are carried out in China or its main places of business are located in China, or the senior managers in charge of operation and management of the issuer are mostly Chinese citizens or are domiciled in China; and (iii) where a Chinese domestic company seeks to indirectly offer and list securities in an overseas market, the issuer shall designate a major PRC domestic operating entity responsible for all filing procedures with the CSRC, and where an issuer makes an application for listing in an overseas market, the issuer shall submit filings with the CSRC within three working days after such application is submitted.

On the same day, the CSRC also held a press conference for the release of the Overseas Listing Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》), which, among others, clarifies that the CSRC will solicit opinions from relevant regulatory authorities and complete the filing of the overseas listing of companies with contractual arrangements which duly meet the compliance requirements.

Furthermore, in February 2023, the CSRC and several other governmental authorities jointly issued the Revised Confidentiality Provisions, which came into effect in March 2023. According to the Revised Confidentiality Provisions, Chinese companies that directly or indirectly conduct overseas offerings and listings, shall strictly abide by the laws and regulations on confidentiality when providing or publicly disclosing, either directly or through their overseas listed entities, materials to securities services providers. In the event such materials contain state secrets or working secrets of government agencies, the Chinese companies shall first obtain approval from authorities, and file with the secrecy administrative department at the same level with the approving authority; in the event that such materials, if divulged, will jeopardize national security or public interest, the Chinese companies shall comply with procedures stipulated by national regulations. The Chinese companies shall also provide a written statement of the specific sensitive information provided when providing materials to securities service providers, and such written statements shall be retained for inspection.

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REGULATION OF MONOPOLY AND UNFAIR COMPETITION

In June 2022, the Standing Committee of the National People's Congress promulgated the amended PRC Anti-monopoly Law (《中華人民共和國反壟斷法》), which came into effect in August 2022. The amended PRC Anti-monopoly Law requires that where concentration of undertakings reaches the filing threshold stipulated by the State Council, a filing must be made with the anti-monopoly authority before the parties implement the concentration. Concentration refers to (i) merger of undertakings; (ii) acquisition of control over other undertakings by acquiring equities or assets; or (iii) acquisition of control over, or the possibility of exercising decisive influence on, an undertaking by contract or by any other means. The anti-monopoly authority may also require business operators to file for merger control review where concentration of undertakings fails to reach such filing threshold but there is evidence that the concentration has or may have the effect of eliminating or restricting competition. If business operators fail to comply with the mandatory filing requirement, the SAMR, is empowered to terminate the transaction, require the disposal of relevant assets, shares or businesses within certain period, or take any other necessary measures to restore the pre-concentration status, and may also impose fines up to 50% of the previous year's turnover of the filing obligor if the concentration has or may have the effect of eliminating or restricting competition, or fines up to RMB25 million if the concentration does not have such effect. In addition, the amended PRC Anti-monopoly Law introduces a "stop-clock mechanism" which may prolong the merger control review process. The SAMR issued a new set of guidelines in September 2018 to set forth the specific procedures and materials for review of concentration of undertakings. In August 2008, the State Council promulgated the Provisions of the State Council on the Thresholds for Filing of Concentration of Undertakings (《國務院關於經營者集中申報標準的規定》), which was also amended in September 2018, clarifying the filing thresholds of merger control review. In June 2022, the SAMR issued the Provisions of the State Council on the Thresholds for Filing of Concentration of Undertakings (Revised Draft for Public Comments) (《國務院關於經營者集中申報標準的規定(修訂草案徵求意見稿)》), which significantly adjusted the revenue threshold of merger control filing to either one of the following two conditions:

- the worldwide revenue of all business operators involved in the concentration exceeds RMB12 billion (increased from the current threshold of RMB10 billion) collectively in the last fiscal year, and the revenue in China of at least two business operators among them each exceeds RMB800 million (increased from the current threshold of RMB400 million) in the last fiscal year; or
- the revenue in China of all the business operators involved in the concentration exceeds RMB4 billion (increased from the current threshold of RMB2 billion) collectively in the last fiscal year, and the revenue in China of at least two business operators among them each exceeds RMB800 million (increased from the current threshold of RMB400 million) in the last fiscal year.

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Even if the aforementioned revenue threshold is not met, the transaction must be reported to anti-monopoly authority of the State Council if (i) the revenue in China of one of the business operators involved in the concentration exceeds RMB100 billion in the last fiscal year, (ii) the market value or valuation of the business operators to be merged or controlled in the concentration exceeds RMB800 million and their revenue in China in the last fiscal year accounts for more than one third of their worldwide revenue.

In addition, in March 2023, the SAMR released the Provisions on the Review of Concentration of Undertakings (《經營者集中審查規定》), which came into effect from April 2023 and replaced the Interim Provisions on the Review of Concentration of Undertakings (《經營者集中審查暫行規定》) issued in October 2020. The Provisions on the Review of Concentration of Undertakings provide detailed rules on how to operate the “stop-clock mechanism”, allowing the SAMR to suspend the calculation of time period for merger review if (i) the notifying parties fail to provide the documents or information so that the review cannot proceed, (ii) new circumstances or new facts appear, and the review cannot proceed without examining the new circumstances or facts, or (iii) the proposed remedies require further assessment, and the relevant parties request for suspension. If the filing threshold is not met but the proposed concentration has or may have the effect of eliminating or restricting competition, the SAMR can request the undertakings to notify. If the concentration has not yet been implemented, the standstill obligation automatically kicks in. Even if the concentration has been implemented, the undertakings need to file a notification within 120 days and take necessary measures to reduce the negative impact the concentration has on competition such as temporarily stopping the implementation of the concentration.

The amended PRC Anti-monopoly Law prohibits a business operator with a dominant market position from abusing such position, such as by selling commodities at unfairly high prices or buying commodities at unfairly low prices, selling products at prices below cost without any justifiable cause, or refusing to trade with a trading party without any justifiable cause. Sanctions for violation of the prohibition on the abuse of dominant market position include an order to cease the relevant activity, confiscation of the illegal gains and fines up to 50% of sales revenue of the preceding year. In March 2023, the SAMR issued the Provisions on the Prohibition of Acts of Abuse of Dominant Market Positions (《禁止濫用市場支配地位行為規定》), which came into effect from April 2023 and replaced the Interim Provisions on the Prohibition of Acts of Abuse of Dominant Market Positions (《禁止濫用市場支配地位行為暫行規定》) issued in June 2019 to further prevent and prohibit the abuse of dominant market positions.

The amended PRC Anti-monopoly Law also prohibits business operators from entering into monopoly agreements, which refers to agreements that eliminate or restrict competition with competing business operators or transaction counterparties, such as by boycotting transactions, fixing or changing the price of commodities, limiting the output of commodities or fixing the price of commodities for resale to third parties, among others, unless the business operators can prove the agreements do not have the effect of eliminating or restricting competition, their market share in relevant market is below the standard set by the anti-monopoly authority, or the agreements satisfy certain exemptions under the amended PRC

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Anti-monopoly Law, such as improving technologies, increasing the efficiency and competitiveness of small and medium-sized undertakings, or safeguarding legitimate interests in cross-border trade and economic cooperation with foreign counterparts. Sanctions for violations include an order to cease the relevant activity, confiscation of illegal gains, and fines up to 50% of sales revenue of the preceding year, fines up to RMB25 million if there is no sales revenue of the preceding year, or fines up to RMB15 million if the intended monopoly agreement has not been performed. In addition, business operators are prohibited from organizing other business operators to reach any monopoly agreement or providing substantive assistance for others to reach such agreements under the amended PRC Anti-monopoly Law. In March 2023, the SAMR issued the Provisions on the Prohibition of Monopoly Agreements (《禁止壟斷協議規定》), which came into effect from April 2023 and replaced the Interim Provisions on the Prohibition of Monopoly Agreements to further enhance the enforcement on the supervision of monopoly agreements (《禁止壟斷協議暫行規定》).

In addition, the amended PRC Anti-monopoly Law further regulates monopolistic behaviors in the Internet sector. The amended PRC Anti-monopoly Law, among others:

- provides in general provisions that enterprises must not engage in monopolistic behaviors through data and algorithms, technology, capital advantages, or platform rules; and
- provides that enterprises with dominant market position must not abuse their dominant positions through data and algorithms, technology, capital advantages, or platform rules.

In February 2021, the SAMR published the Platform Economy Anti-monopoly Guidelines. The Platform Economy Anti-monopoly Guidelines set out detailed standards and rules in respect to the definition of relevant markets, typical types of cartel activity and abusive behavior by companies with market dominance, which provide further guidance for enforcement of anti-monopoly laws regarding network platform operators. The Platform Economy Anti-monopoly Guidelines further detail the types of horizontal agreements, vertical agreements, hub-and-spoke agreements and collusion which may constitute monopoly agreements in the platform economy. The Platform Economy Anti-monopoly Guidelines also set out a number of key factors that may be relevant in identifying a dominant undertaking, including, among others, predatory pricing, unfair pricing, refusal to deal, restraint of trade, tie-in, unreasonable trading conditions and discrimination. In addition, concentration of undertakings involving contractual arrangements is expressly included within the ambit of SAMR's merger control review if the filing thresholds are met. Under the Platform Economy Anti-monopoly Guidelines, the SAMR is empowered to investigate if the filing threshold is not met but the proposed concentration may have the effect of eliminating or restricting competition, and the SAMR will pay close attention to those cases where one of the following circumstances exists: (i) a party to the concentration is a start-up or an emerging platform; (ii) the turnover is low because the business model of the parties to the concentration involves the provision of free services or services charged at low prices; (iii) the relevant market is highly concentrated; and (iv) the number of competitors is small. These newly enacted measures and

REGULATORY OVERVIEW

guidelines may require us to make adjustments to some of our business practices, and our business, financial condition and results of operations may be materially and adversely affected. In addition, due to our size, these new measures and guidelines, when enacted and implemented, may affect us more than our competitors.

According to the Anti-unfair Competition Law (《反不正當競爭法》) promulgated by the Standing Committee of the National People's Congress in September 1993 and most recently amended in April 2019, business operators may not engage in anti-competitive activities, such as undue influence transactions, confusion marketing, commercial bribery, trade secret infringement and commercial libel. Failure to comply with the Anti-unfair Competition Law would subject business operators to various administrative penalties, such as imposition of fines, confiscation of illegal gains and an order to cease business activities, and payment of compensatory damages.

In August 2021, the SAMR issued the Provisions on Preventing Unfair Online Competition (Drafts for Public Comments) (《禁止網絡不正當競爭行為規定(公開徵求意見稿)》), which detail the implementation of the Anti-unfair Competition Law, under which business operators must not use technical means such as data or algorithms to implement traffic hijacking or interference, cause malicious incompatibility or conduct any activity impeding or disruptive to the normal operation of network products or services legally provided by other business operators.

DATA PROTECTION REGULATION IN EUROPE

On May 25, 2018, EU Directive 95/46/EEC was replaced by the GDPR on the protection of natural persons with regard to the processing and free movement of personal data. The GDPR applies directly in all EU member states from May 25, 2018 and applies to companies with an establishment in the European Economic Area (the "EEA"), and to certain other companies not in the EEA that offer or provide goods or services to individuals located in the EEA or monitor individuals located in the EEA. The GDPR implements more stringent operational requirements for controllers of personal data, including, for example, expanded disclosures about how personal information is to be used, limitations on retention of information and pseudonymized data, increased cyber security requirements, mandatory data breach notification requirements and higher standards for controllers to demonstrate that they have obtained a valid legal basis for certain data processing activities.

The activities of data processors will be regulated for the first time, and companies undertaking processing activities are required to offer certain guarantees in relation to the security of processing and the handling of personal data. Contracts with data processors will also need to be updated to include certain terms prescribed by the GDPR, and negotiating these updates may not be fully successful in all cases. Failure to comply with EU laws, including failure under the GDPR and other laws relating to the security of personal data may result in fines up to €20,000,000 or up to 4% of the total worldwide annual turnover of the preceding financial year, if greater, and other administrative penalties including criminal liability.

HISTORY AND CORPORATE STRUCTURE

OVERVIEW

We are a global leader in e-commerce logistics and provides a wide array of innovative logistics services and solutions to merchants and brands, e-commerce platforms, consumers and logistics companies around the world. We were founded by Alibaba Group and other partners in 2013 to address the growing and evolving demand for logistics services of the buyers and sellers on Alibaba Group’s e-commerce platforms.

On May 20, 2015, our Company was incorporated in the Cayman Islands as the holding company of our Group and we became a subsidiary of Alibaba in 2017. Since our establishment, we have continued to build and operate a global logistics network and have significantly expanded our solutions portfolio, customer base, technology capabilities and global reach, offering international and domestic logistics services to our consumers and merchants at scale. Today, we have grown to become the largest provider of cross-border e-commerce logistics services globally and a leader in China logistics services, according to CIC.

Following the completion of the [REDACTED], our business will be separated and independent from the businesses of Alibaba Group.

OUR MILESTONES

The following sets forth the major milestones in our history:

<u>Year</u>	<u>Event</u>
2013	We were co-founded by Alibaba and other partners as an open technology platform.
2014	We were the first in China to successfully introduce a standardized e-waybill system that was open to all express delivery companies and merchants, significantly increased the logistics industry’s parcel digitalization rate.
2015	<i>From Technology Platform to Smart Logistics Network</i> Leveraging a smart logistics network with end-to-end capabilities, we launched our China supply chain business at scale, starting with services to Tmall Supermarket and subsequently expanding the service coverage to merchants on various e-commerce platforms and online stores operated by third parties. We developed our <i>Cainiao Post</i> solution, which connects and integrates a large number of third-party operated “pick-up, drop-off” stations and smart lockers located across local communities, campuses and rural areas into our logistics network.

HISTORY AND CORPORATE STRUCTURE

Year	Event
2017	<p><u><i>From China to Global</i></u></p> <p>We implemented our plan to launch the first e-Hub in Kuala Lumpur, serving as the gateway to the Southeast Asian e-commerce market by improving delivery reach and reducing operating costs.</p> <p>We introduced our standard cross-border express delivery solution to merchants on AliExpress.</p>
2021	<p>We started providing logistics technology solutions to external customers, mainly including logistics partners and other businesses with logistics digitalization needs.</p> <p>We started to develop overseas local logistics services in select international markets.</p> <p><u><i>E-commerce and Beyond</i></u></p> <p>We developed omni-channel solutions to serve merchants and brands for both their online and offline sales in China and globally.</p>
2023	<p>We built on our previous premium express delivery service and launched the brand of <i>Cainiao Express</i> in China, offering cost-effective and time-definite deliveries with a doorstep delivery pledge.</p> <p>We upgraded our premium cross-border express delivery solution to further reduce the order-to-delivery time between China and eight countries to five working days.</p>

OUR MAJOR SUBSIDIARIES

The principal business activities and date of establishment of each of our Major Subsidiaries during the Track Record Period are shown below:

Name	Principal Business Activities	Date and Jurisdiction of Incorporation
Cainiao Smart Logistics Network (BVI) Limited	Our wholly-owned subsidiary and an investment holding company	May 29, 2015, BVI
Cainiao Smart Logistics Network (Hong Kong) Limited (菜鳥智能物流網絡(香港)有限公司)	A wholly-owned subsidiary of Cainiao Smart Logistics Network (BVI) Limited which primarily engages in investment holding and the provision of logistics services and solution	June 17, 2015, Hong Kong
Cainiao Network Technology Co., Ltd. (菜鳥網絡科技有限公司) (“WFOE”)	A wholly-owned subsidiary of Cainiao Smart Logistics Network (Hong Kong) Limited, a wholly foreign owned enterprise which engages in investment holding	May 16, 2013, PRC

HISTORY AND CORPORATE STRUCTURE

Name	Principal Business Activities	Date and Jurisdiction of Incorporation
Zhejiang Cainiao Supply Chain Management Co., Ltd. (浙江菜鸟供应链管理有限公司) (“Zhejiang Cainiao”)	A wholly-owned subsidiary of the WFOE which primarily engages in the provision of logistics services and solution	July 4, 2012, PRC
Hangzhou Cainiao Logistics Information Technology Co., Ltd. (杭州菜鸟物流信息科技有限公司)	A consolidated affiliated entity of WFOE which primarily engages in management consulting	June 18, 2015, PRC
Hangzhou Cainiao Supply Chain Management Co., Ltd. (杭州菜鸟供应链管理有限公司)	A wholly-owned subsidiary of Zhejiang Cainiao which primarily engages in the provision of logistics services and solution	October 27, 2016, PRC
Zhejiang ALOG Supply Chain Management Co., Ltd. (浙江心怡供应链管理有限公司)	A wholly-owned subsidiary of Zhejiang Cainiao which primarily engages in the provision of logistics services and solution	October 28, 2004, PRC
Shenzhen Beiling Technology Logistics Co., Ltd. (深圳市北岭科技物流有限公司)	A wholly-owned subsidiary of Zhejiang Cainiao which primarily engages in the provision of logistics services and solution	May 5, 2016, PRC
Zhejiang Danniao Logistics Technology Co., Ltd. (浙江丹鸟物流科技有限公司)	A subsidiary of Zhejiang Cainiao which primarily engages in the provision of logistics services and solution	August 31, 2009, PRC
Zhejiang Yizhan Network Technology Co., Ltd. (浙江驿栈网络科技有限公司)	A subsidiary of Zhejiang Cainiao which primarily engages in the provision of logistics services and solution	July 12, 2017, PRC
Hangzhou Xiniao Logistics Technology Co., Ltd. (杭州溪鸟物流科技有限公司)	A subsidiary of Zhejiang Cainiao which primarily engages in the provision of logistics services and solution	April 12, 2018, PRC
Cainiao (Netherlands) B.V.	A wholly-owned subsidiary of Cainiao Smart Logistics Network (Hong Kong) Limited which primarily engages in the provision of logistics services and solution	June 16, 2020, Netherlands
Cainiao Supply Chain Management (RU) Limited Liability Company	A wholly-owned subsidiary of our Company which primarily engages in the provision of logistics services and solution	May 4, 2017, Russia
Cainiao Smart Logistics Holding Limited (菜鸟智慧物流控股有限公司)	Our wholly-owned subsidiary and an investment holding company	September 22, 2015, Cayman Islands

HISTORY AND CORPORATE STRUCTURE

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on May 20, 2015 with an authorized share capital of US\$50,000 divided into 50,000,000,000 shares, with a par value of US\$0.000001 each. Upon incorporation, we issued one Share to Trident Nominees (Cayman) Ltd., which was subsequently transferred to Ali CN Investment Holding Limited, a wholly-owned subsidiary of Alibaba, on May 28, 2015.

On December 24, 2015 and February 26, 2016, our Company issued and allotted 8,909,999,999 Shares to our following founding shareholders. Upon completion, the shareholding structure of our Company was as follows:

Name of Shareholder	Number of Shares	Percentage
		(%)
Ali CN Investment Holding Limited ⁽¹⁾	4,320,000,000	48.48
Profit Reach International Limited ⁽²⁾	2,880,000,000	32.32
Stater Investment Holdings Limited ⁽³⁾	900,000,000	10.10
Forchn International Co., Limited ⁽⁴⁾	450,000,000	5.05
STO Express Investment Holdings Pte. Ltd ⁽⁵⁾	90,000,000	1.01
YTO Holding Group Company Limited ⁽⁶⁾	90,000,000	1.01
YunDa Express Logistics (HK) Limited ⁽⁷⁾	90,000,000	1.01
ZTO CN Holding Limited ⁽⁸⁾	90,000,000	1.01
Total	8,910,000,000	100.00

Notes:

- (1) Ali CN Investment Holding Limited is a wholly-owned subsidiary of Alibaba and is one of our Controlling Shareholders.
- (2) Profit Reach is a limited company incorporated in the BVI. It is directly wholly owned by Profit Reach Holdings Limited, which is in turn wholly owned by Guojun Evergreen Limited. Guojun Evergreen Limited is beneficially wholly owned by Guojun Evergreen Trust, which is a family trust established by Mr. Guojun SHEN as the settlor, with Mr. Guojun SHEN and his family members as beneficiaries. Cantrust (Far East) Limited is the trustee of Guojun Evergreen Trust. Mr. Guojun SHEN is the founder of China Yintai Holdings Co., Ltd., which is a diversified industrial development and investment group, with a portfolio of key businesses including Yintai Commercial Group, Yintai Land, Yintai Foundation Group and Yintai Investment & Finance.
- (3) Stater Investment Holdings Limited is a limited company incorporated in Hong Kong and is an indirect wholly-owned subsidiary of Fosun International Limited, a company incorporated in Hong Kong and its shares are listed on Main Board of the Stock Exchange (stock code: 0656).
- (4) Forchn International Co., Limited is a limited company incorporated in the BVI and is an indirect wholly-owned subsidiary of Forchn Holdings Group Co., Ltd., which is a Shanghai-based investment holding company specializing in e-commerce logistics services, logistics real estate, health & wellness, manufacturing and investment management. Forchn International Co., Limited subsequently transferred all of its shares in our Company to other investors and ceased to be our shareholder.
- (5) STO Express Investment Holdings Pte. Ltd is a private limited company incorporated in Singapore and is an indirect wholly-owned subsidiary of STO Express Co., Ltd, a company incorporated in the PRC and its shares are listed on the Shenzhen Stock Exchange (stock code: 002468).

HISTORY AND CORPORATE STRUCTURE

- (6) YTO Holding Group Company Limited is a limited company incorporated in Hong Kong and is an indirect wholly-owned subsidiary of Shanghai Yuantong Jiaolong Investment Development (Group) Co., Ltd.* (上海圓通蛟龍投資發展(集團)有限公司) (“**Yuantong Jiaolong**”). Yuantong Jiaolong is a company owned as to 51% by Mr. Yu Huijiao and 49% by Ms. Zhang Xiaojuan, and is the controlling shareholder of YTO Express Group Co., Ltd. (圓通速遞股份有限公司), a company incorporated in the PRC and its shares are listed on the Shanghai Stock Exchange (stock code: 600233), and YTO International Express and Supply Chain Technology Limited (圓通國際快遞供應鏈科技有限公司), a company incorporated in the Cayman Islands and its shares are listed on the Main Board of the Stock Exchange (stock code: 6123).
- (7) YunDa Express Logistics (HK) Limited is a limited company incorporated in Hong Kong and is an indirect wholly-owned subsidiary of YUNDA Holding Co., Ltd., a company incorporated in the PRC and its shares are listed on the Shenzhen Stock Exchange (stock code: 002120).
- (8) ZTO CN Holding Limited is a limited company incorporated in the BVI and is a wholly-owned subsidiary of ZTO Express (Cayman) Inc., a company incorporated in the Cayman Islands whose American depositary shares are listed on the New York Stock Exchange (stock code: ZTO) and whose class A ordinary shares are listed on the Main Board of the Stock Exchange (stock code: 2057).

Between March 11, 2016 and July 3, 2020, our Company conducted multiple rounds of pre-[REDACTED] financing, further details of which is set out in the section headed “— Pre-[REDACTED] Investments”. See “— Pre-[REDACTED] Investments” in this section for subsequent shareholding changes in connection with the completion of the Pre-[REDACTED] Investments.

Pursuant to an internal restructuring of Alibaba’s holding structure of our Company, Ali CN Investment transferred 768,000,000 Shares, representing approximately 5.00% of the issued share capital of our Company (being part of the shareholding interest held by Alibaba, through Ali CN Investment, in our Company) to Alibaba Cayman, a wholly-owned subsidiary of Alibaba, on September 21, 2023, which was then further transferred by Alibaba Cayman to its wholly-owned subsidiary, Alibaba International, an entity of Alibaba International Digital Commerce Group, on September 21, 2023. Upon completion of the transfers, Alibaba holds our Company’s shares through its wholly-owned subsidiaries, Ali CN Investment, Ali KB Investment and Alibaba International.

[REDACTED]

HISTORY AND CORPORATE STRUCTURE

[REDACTED]

PRE-[REDACTED] INVESTMENTS

Overview

Our Company underwent the following rounds of the Pre-[REDACTED] Investments:

Round 1

On March 11, 2016, our Company and certain of our subsidiaries entered into share subscription agreements with each of the following investors, pursuant to which our Company issued a total of 3,000,000,000 Ordinary Shares for total proceeds of RMB10,000,000,000:

HISTORY AND CORPORATE STRUCTURE

Name of Shareholders	Number of Shares issued	Consideration (RMB)
Ali CN Investment	1,257,000,000	4,190,000,000
Profit Reach	960,000,000	3,200,000,000
EAGLE LOGISTIC HOLDINGS LIMITED	332,372,217	1,107,907,390
PV Optimus Limited	131,454,545	438,181,817
APSIF PTE LTD.	98,590,909	328,636,363
ANDERSON INVESTMENTS PTE. LTD.	65,727,273	219,090,910
MOONLIGHT RAY LIMITED	61,991,420	206,638,067
Tasik Pedu Investments Limited	32,863,636	109,545,453
YTO Holding Group Company Limited.	30,000,000	100,000,000
ZTO CN Holding Limited	30,000,000	100,000,000
Total	3,000,000,000	10,000,000,000

The investment in and the allotment of all the Ordinary Shares were completed on March 22, 2016. The considerations were determined based on arm's length negotiations between our Company and each of the Pre-[REDACTED] Investors after taking into consideration the timing of the investments and the status of our business and operating entities.

Round 2

On September 25, 2017, our Company and certain of our subsidiaries entered into share subscription agreements with each of the following investors, pursuant to which our Company issued a total of 1,200,000,000 Ordinary Shares for total proceeds of RMB6,000,000,000:

Name of Shareholders	Number of Shares issued	Consideration (RMB)
Ali CN Investment	1,064,472,000	5,322,360,000
EAGLE LOGISTIC HOLDINGS LIMITED	47,028,000	235,140,000
PV Optimus Limited	18,600,000	93,000,000
APSIF PTE LTD.	13,950,000	69,750,000
YTO Holding Group Company Limited.	12,000,000	60,000,000
ZTO CN Holding Limited	12,000,000	60,000,000
ANDERSON INVESTMENTS PTE. LTD.	9,300,000	46,500,000
STO Express Investment Holdings Pte. Ltd	9,000,000	45,000,000
YunDa Express Logistics (HK) Limited.	9,000,000	45,000,000
Tasik Pedu Investments Limited	4,650,000	23,250,000
Total	1,200,000,000	6,000,000,000

The investment in and the allotment of the Ordinary Shares subscribed by Ali CN Investment, APSIF PTE LTD, Tasik Pedu Investments Limited, PV Optimus Limited, ANDERSON INVESTMENTS PTE. LTD. and ZTO CN Holding Limited were completed on October 17, 2017, while the investment in and the allotment of the Ordinary Shares subscribed by the other investors were completed on December 31, 2017. Upon completion, Alibaba, through Ali CN Investment, holds 51% of our Company and we became a subsidiary of Alibaba.

HISTORY AND CORPORATE STRUCTURE

The considerations were determined based on arm’s length negotiations between our Company and each of the Pre-[REDACTED] Investors after taking into consideration the timing of the investments and the status of our business and operating entities.

Round 3

On November 1, 2019, our Company and certain of our subsidiaries entered into share subscription agreements with each of the following investors, pursuant to which our Company issued a total of 2,012,555,296 Ordinary Shares for total proceeds of RMB14,999,981,274:

Name of Shareholders	Number of Shares issued	Consideration (RMB)
Ali CN Investment	1,648,080,312	12,283,472,181.40
Stater Investment Holdings Limited	137,219,679	1,022,727,271
EAGLE LOGISTIC HOLDINGS LIMITED	71,702,771	534,415,908
PV Optimus Limited	28,358,734	211,363,639
APSIF PTE LTD.	23,395,955	174,374,998
ZTO CN Holding Limited	20,125,553	150,000,000
ANDERSON INVESTMENTS PTE. LTD.	15,597,304	116,250,003
YunDa Express Logistics (HK) Limited.	15,094,165	112,500,002
STO Express Investment Holdings Pte. Ltd	15,094,165	112,500,002
MOONLIGHT RAY LIMITED	13,373,430	99,675,000
Tasik Pedu Investments Limited	7,798,652	58,125,002
EAGLE LOGISTIC HOLDINGS II LIMITED.	7,170,186	53,440,912
YTO Holding Group Company Limited.	6,708,517	49,999,995
PV Optimus Two Limited	2,835,873	21,136,361
Total	<u>2,012,555,296</u>	<u>14,999,981,274</u>

Save for Stater Investment Holdings Limited, YTO Holding Group Company Limited, YunDa Express Logistics (HK) Limited and STO Express Investment Holdings Pte. Ltd., the investment in and the allotment of the Ordinary Shares were completed on November 8, 2019. The investment in and the allotment of the Ordinary Shares subscribed by Stater Investment Holdings Limited was completed on January 3, 2020, while the investment in and the allotment of the Ordinary Shares subscribed by YTO Holding Group Company Limited, YunDa Express Logistics (HK) Limited and STO Express Investment Holdings Pte. Ltd. were completed on July 3, 2020.

The considerations were determined based on arm’s-length negotiations between our Company and each of the Pre-[REDACTED] Investors after taking into consideration the timing of the investments and the status of our business and operating entities.

The table below is a summary of the shareholding structure of our Company as at the date of this document and immediately upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised and excluding Shares to be issued under the Pre-[REDACTED] Equity Incentive Plans and Post-[REDACTED] Equity Incentive Plan):

HISTORY AND CORPORATE STRUCTURE

Shareholders	Shares ⁽¹⁾	Shareholding in our Company as at the date of this document and immediately prior to the [REDACTED]	Shareholding in our Company immediately upon completion of the [REDACTED]
Ali CN Investment ⁽²⁾	9,731,623,910	63.30%	[REDACTED]%
Ali KB Investment ⁽³⁾	191,236,923	1.24%	[REDACTED]%
Alibaba International	768,000,000	5.00%	[REDACTED]%
Profit Reach ⁽⁴⁾	1,240,150,280	8.07%	[REDACTED]%
Elite Data ⁽³⁾⁽⁴⁾	619,535,146	4.03%	[REDACTED]%
Keen Leap ⁽⁴⁾	217,764,500	1.42%	[REDACTED]%
Elite Idea ⁽⁴⁾	56,594,926	0.37%	[REDACTED]%
EAGLE LOGISTIC HOLDINGS LIMITED.	470,286,000	3.06%	[REDACTED]%
EAGLE LOGISTIC HOLDINGS II LIMITED	47,028,000	0.31%	[REDACTED]%
EAGLE LOGISTIC HOLDINGS III LIMITED	92,246,387	0.60%	[REDACTED]%
MOONLIGHT RAY LIMITED	87,714,000	0.57%	[REDACTED]%
Stater Investment Holdings Limited	564,181,369	3.67%	[REDACTED]%
PV Optimus Limited.	74,529,429	0.48%	[REDACTED]%
PV Optimus Two Limited	9,410,843	0.06%	[REDACTED]%
PV Optimus Three Limited.	31,194,607	0.20%	[REDACTED]%
PV Optimus Four Limited	7,452,954	0.05%	[REDACTED]%
Primavera Capital Growth Fund VI L.P.	113,206,774	0.74%	[REDACTED]%
APSIF PTE LTD	176,845,955	1.15%	[REDACTED]%
ZTO CN Holding Limited	152,125,553	0.99%	[REDACTED]%
YTO Holding Group Company Limited	138,708,517	0.90%	[REDACTED]%
ANDERSON INVESTMENTS PTE. LTD.	117,897,304	0.77%	[REDACTED]%
STO Express Investment Holding Pte. Ltd.	114,094,165	0.74%	[REDACTED]%
Yunda Express Logistics (HK) Limited	114,094,165	0.74%	[REDACTED]%
Tasik Pedu Investments Limited.	58,948,652	0.38%	[REDACTED]%
Princeville Global Smart Logistics Investments Limited	32,336,500	0.21%	[REDACTED]%
PRIVATUS NOMINEES PTY LTD as trustee for Princeville Global III ANZ Fund	2,309,750	0.02%	[REDACTED]%
Other Shareholders ⁽⁵⁾	143,576,160	0.93%	[REDACTED]%

Notes:

- (1) Under the articles of association of our Company, each Class A Ordinary Share and each Class B Ordinary Share then issued and outstanding will automatically be re-designated as one Ordinary Share upon the completion on the [REDACTED].
- (2) The 9,731,623,910 Shares comprise (i) 9,714,662,597 Ordinary Shares, (ii) 14,146,113 Class A Ordinary Shares and (iii) 2,815,200 Class B Ordinary Shares.
- (3) Ali KB Investment is a wholly-owned subsidiary of Alibaba and is one of our Controlling Shareholders. 108,513,150 Shares are held by Ali KB Investment under a tax escrow arrangement with Mr. Guojun SHEN. See “Substantial Shareholders” for further details.
- (4) Profit Reach is a limited company incorporated in the BVI. It is directly wholly owned by Profit Reach Holdings Limited, which is in turn wholly owned by Guojun Evergreen Limited. Each of Elite Data, Keen Leap and Elite Idea is a limited company incorporated in the BVI and is directly wholly owned by Guojun Evergreen Limited. Guojun Evergreen Limited is beneficially wholly owned by Guojun Evergreen Trust, which is a family trust established by Mr. Guojun SHEN as the settlor, with Mr. Guojun SHEN and his family members as beneficiaries. Cantrust (Far East) Limited is the trustee of Guojun Evergreen Trust. Mr. Guojun SHEN is the founder of China Yintai Holdings Co., Ltd., which is a diversified industrial development and investment group, with a portfolio of key businesses including Yintai Commercial Group, Yintai Land, Yintai Foundation Group and Yintai Investment & Finance.

HISTORY AND CORPORATE STRUCTURE

- (5) Other shareholders consist of holders of the Class A Ordinary Shares and Class B Ordinary Shares, who are grantees under the Pre-[REDACTED] Equity Incentive Plans. The 143,576,160 Shares comprise (i) 86,108,442 Class A Ordinary Shares and (ii) 57,467,718 Class B Ordinary Shares. For further details, see “Statutory and General Information — D. Equity Incentive Plans” in Appendix V to this document.

Principal Terms of the Pre-[REDACTED] Investments

The below table summarizes the principal terms of the Pre-[REDACTED] Investments:

	Round 1	Round 2	Round 3
Cost per share paid by the investors	RMB3.3333	RMB5.00	RMB7.4532
Date on which investment was fully settled.	March 22, 2016	October 17, 2017, October 30, 2017, and December 31, 2017	November 8, 2019, January 3, 2020, and July 3, 2020
Total amount of proceeds raised	RMB10,000,000,000	RMB6,000,000,000	RMB14,999,981,274
Discount/(Premium) to the [REDACTED]	[REDACTED]%	[REDACTED]%	[REDACTED]%
Use of Proceeds from the Pre-[REDACTED] Investments	We utilized the proceeds that we received from the Pre-[REDACTED] Investors for our business development and operations, including but not limited to expansion of our logistics network, strategic investments or acquisitions and other general corporate purpose. As of the Latest Practicable Date, all of the proceeds we obtained from the Pre-[REDACTED] Investments have been utilized.		
Lock-up	N/A		
Strategic benefits of the Pre-[REDACTED] Investors brought to our Company	At the time of the Pre-[REDACTED] Investments, we were of the view that our Company would benefit from the strategic value that Pre-[REDACTED] Investors would bring to our business, the additional capital provided by the Pre-[REDACTED] Investors’ investment in our Company and their knowledge relevant to our business.		

Rights of the Pre-[REDACTED] Investors

In addition to the terms described above, the Shareholders’ Agreement was entered into between, amongst others, our Company and each of the Pre-[REDACTED] Investors relating to, inter alia, the operation and management of our Company. Pursuant to the Shareholders’ Agreement, the Pre-[REDACTED] Investors were granted certain special rights in relation to our Company. The special rights under the Shareholders’ Agreement will terminate upon the first filing or [REDACTED] (as the case may be) in accordance with the terms of the Shareholders’ Agreement.

HISTORY AND CORPORATE STRUCTURE

[REDACTED]

Information about the Pre-[REDACTED] Investors

Eagle Logistic and Moonlight Ray

EAGLE LOGISTIC HOLDINGS LIMITED is a limited company incorporated in the BVI and is wholly owned by Yunfeng Transformer Fund, L.P, an exempted company incorporated under the laws of Cayman Islands and whose general partner is Yunfeng Transformer Investment, L.P.

EAGLE LOGISTIC HOLDINGS II LIMITED is a limited company incorporated in the BVI and is wholly owned by Yunfeng Transformer Fund II, L.P, an exempted company incorporated under the laws of Cayman Islands and whose general partner is Yunfeng Transformer Investment, L.P.

EAGLE LOGISTIC HOLDINGS III LIMITED is a limited company incorporated in the BVI and is wholly owned by Yunfeng Transformer Fund III, L.P. and Yunfeng Fund III AIV Transformer, L.P., each an exempted company incorporated under the laws of Cayman Islands and whose general partner is Yunfeng Transformer Investment, L.P.

MOONLIGHT RAY LIMITED is a limited company incorporated in the BVI and is wholly owned by Yunfeng Fund II AIV Cainiao, L.P. and KHL AIV Cainiao, L.P., each an exempted company incorporated under the laws of Cayman Islands and whose general partner is Yunfeng Transformer Investment, L.P.

Yunfeng Transformer Investment, L.P. is an exempted company incorporated under the laws of Cayman Islands and whose general partner is Yunfeng Transformer GP, Ltd.

PV Optimus and Primavera Capital Growth Fund VI L.P.

Each of PV Optimus Limited, PV Optimus Two Limited, PV Optimus Three Limited and PV Optimus Four Limited is a limited liability company incorporated in the BVI. Primavera Capital Growth Fund VI L.P. is a limited partnership established in the Cayman Islands (Primavera Capital Growth Fund VI L.P., together with PV Optimus Limited, PV Optimus Two Limited, PV Optimus Three Limited and PV Optimus Four Limited are collectively referred to as the “**Primavera Shareholders**”). Primavera Shareholders are ultimately controlled by Primavera Capital Group. Primavera Capital Group mainly engages in investments targeting consumer and retail, technology, climate action, healthcare, advanced manufacturing, business service and financial services sectors.

HISTORY AND CORPORATE STRUCTURE

Apsif

APSIF PTE LTD is a private limited company incorporated in Singapore and is indirectly wholly owned by GIC (Ventures) Pte. Ltd and managed by GIC Special Investment Private Limited, which is in turn wholly owned by GIC Private Limited (“**GIC Private**”). GIC Private is a global investment firm established in 1981 to manage Singapore’s foreign reserves. It invests internationally in equities, fixed income, foreign exchange, commodities, money markets, alternative investments, real estate and private equity. GIC Private is amongst the world’s largest fund managers.

Anderson Investments

ANDERSON INVESTMENTS PTE. LTD. is a limited company incorporated in Singapore and is indirectly wholly owned by Temasek Holdings (Private) Limited (“**Temasek**”). Temasek is a global investment company with a net portfolio value of S\$382 billion (RMB1.98 trillion) as at March 31, 2023. Its portfolio covers a broad spectrum of industries, which include transportation and industrials; financial services; telecommunications, media and technology; consumer and real estate; life sciences and agri-food. Temasek’s Purpose “So Every Generation Prospers” guides it to make a difference for today’s and future generations.

Tasik Pedu

Tasik Pedu Investments Limited is a wholly-owned subsidiary of Khazanah National Berhad (“**Khazanah**”). Khazanah is the sovereign wealth fund of Malaysia tasked with growing the long-term wealth of the nation. Khazanah invests in companies and assets across multiple sectors and geographies. Khazanah was incorporated under the Companies Act 1965 on September 3, 1993 as a public limited company. Except for one share owned by the Federal Lands Commissioner of Malaysia, all the share capital of Khazanah is owned by the Minister of Finance Incorporated, a body established under the Ministry of Finance (Incorporation) Act 1957 of Malaysia.

Princeville Global and Privatus Nominees

Princeville Global Smart Logistics Investments Limited is a limited company incorporated in the BVI and is ultimately controlled by Princeville Global Partners III Ltd and its affiliates.

PRIVATUS NOMINEES PTY LTD is a limited company incorporated in Australia and acts as the trustee for Princeville Global III ANZ Fund, which is a unit trust set up in Australia, and it has delegated all investment manager function to Princeville Global Partners III Ltd.

Each of Princeville Global Smart Logistics Investments Limited and Princeville Global III ANZ Fund is ultimately owned by Princeville Global Partners III Ltd and its affiliates, which is an investment firm principally engaged and specialized in investing in private equity.

HISTORY AND CORPORATE STRUCTURE

Compliance with Interim Guidance and Guidance Letters

On the basis that (i) the consideration for the Pre-[REDACTED] Investments were settled more than 28 clear days before the date of our first submission of the [REDACTED] to the [REDACTED] Division of the Stock Exchange in relation to the [REDACTED] and (ii) all special rights granted to the Pre-[REDACTED] Investors that are required to be terminated upon the first [REDACTED] or [REDACTED] (as the case may be) shall terminate at the required times, the Joint Sponsors confirm that the Pre-[REDACTED] Investments are in compliance with (i) the Guidance Letter HKEX-GL29-12; (ii) the Guidance Letter HKEX-GL43-12; and (iii) the Guidance Letter HKEX-GL44-12.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

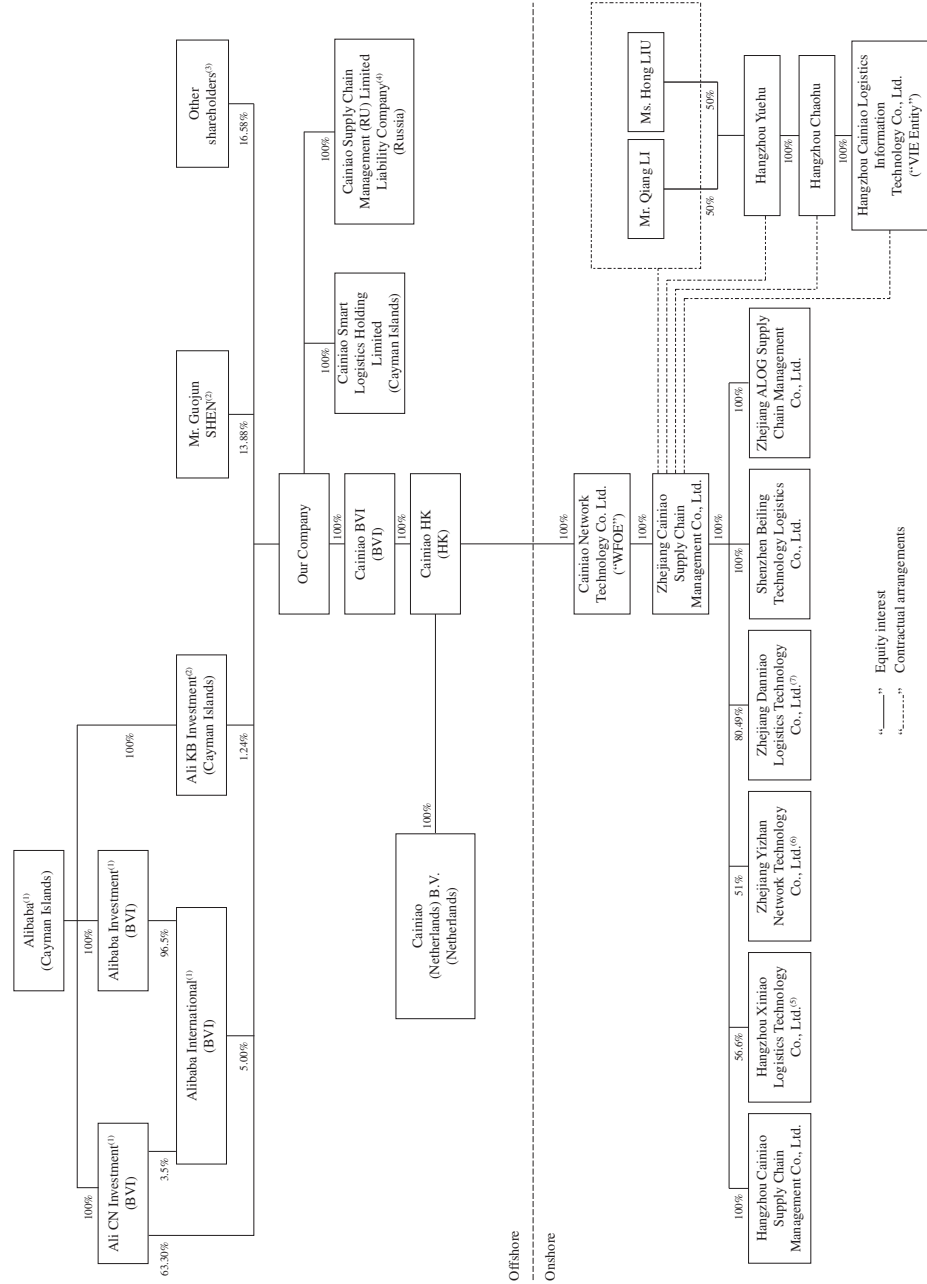
We have not conducted any major acquisitions, disposals or mergers that we consider to be material to us during the Track Record Period.

HISTORY AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

Corporate structure before the [REDACTED]

The following simplified diagram illustrates the corporate and shareholding structure of our Group immediately prior to the completion of the [REDACTED]:



HISTORY AND CORPORATE STRUCTURE

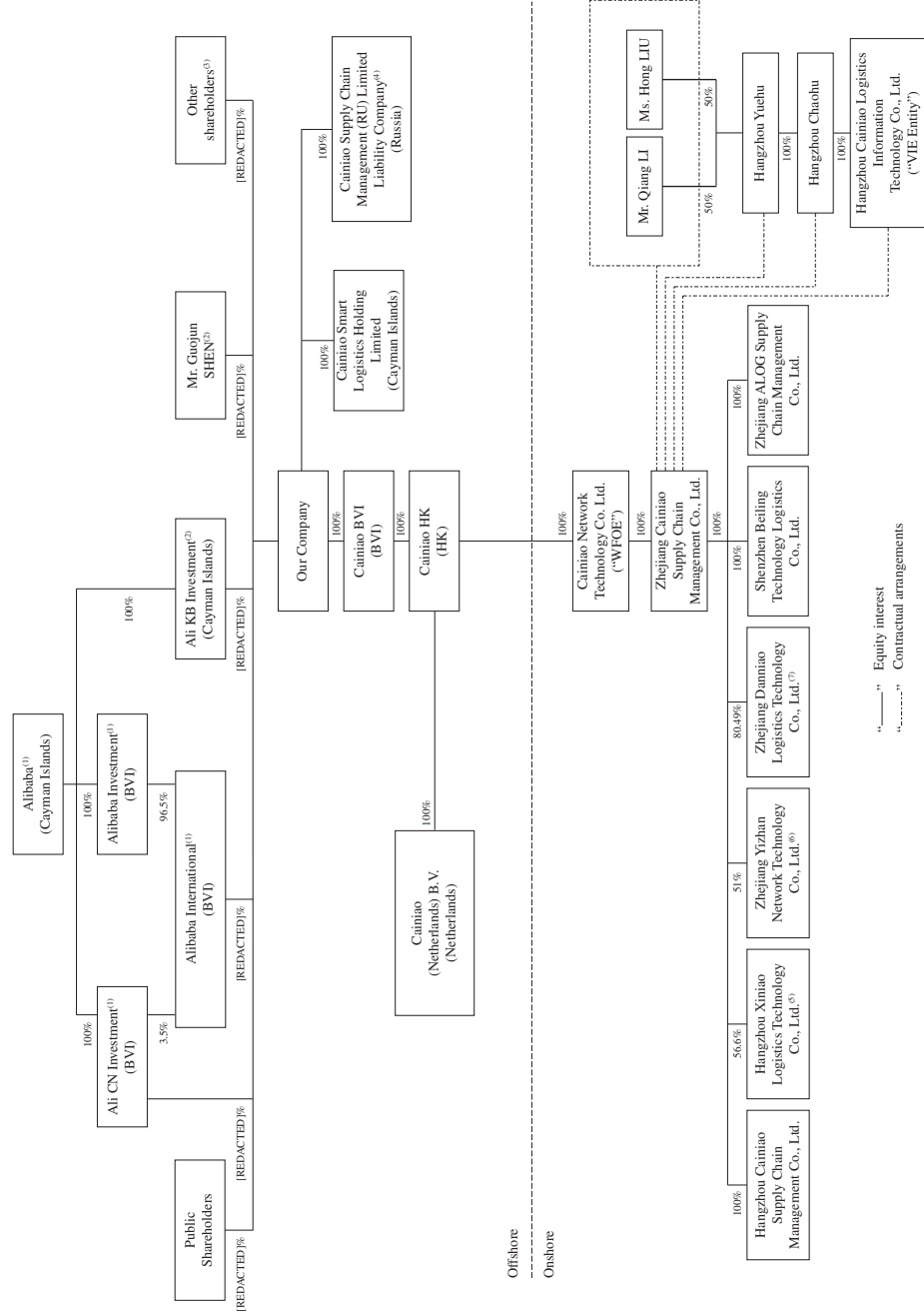
Notes:

- (1) Alibaba International is directly wholly owned by Alibaba Cayman, which is held by Alibaba Investment as to 96.5% and Ali CN Investment as to 3.5%. Alibaba Investment is directly wholly owned by Alibaba Limited, which is held by Alibaba as to 80.02% and Alibaba Treasury (a wholly-owned subsidiary of Alibaba) as to 19.98%.
- (2) Mr. Guojun SHEN holds his interest through Keen Leap as to 1.42%, Elite Data as to 4.03%, Elite Idea as to 0.37% and Profit Reach as to 8.07%. Profit Reach is a limited company incorporated in the BVI. It is directly wholly owned by Profit Reach Holdings Limited, which is in turn wholly owned by Guojun Evergreen Limited. Each of Elite Data, Keen Leap and Elite Idea is a limited company incorporated in the BVI and is directly wholly owned by Guojun Evergreen Limited. Guojun Evergreen Limited is beneficially wholly owned by Guojun Evergreen Trust, which is a family trust established by Mr. Guojun SHEN as the settlor, with Mr. Guojun SHEN and his family members as beneficiaries. Cantrust (Far East) Limited is the trustee of Guojun Evergreen Trust. Mr. Guojun SHEN is the founder of China Yintai Holdings Co., Ltd., which is a diversified industrial development and investment group, with a portfolio of key businesses including Yintai Commercial Group, Yintai Land, Yintai Foundation Group and Yintai Investment & Finance. 108,513,150 Shares are held by Ali KB Investment under a tax escrow arrangement with Mr. Guojun SHEN. See “Substantial Shareholders” for details.
- (3) Other shareholders include Stater Investment Holdings Limited, EAGLE LOGISTIC HOLDINGS LIMITED, APSIF PTE LTD, ZTO CN Holding Limited, YTO Holding Group Company Limited, ANDERSON INVESTMENTS PTE. LTD., STO Express Investment Holding Pte. Ltd., YunDa Express Logistics (HK) Limited, Primavera Capital Growth Fund VI L.P., EAGLE LOGISTIC HOLDINGS III LIMITED, MOONLIGHT RAY LIMITED, PV Optimus Limited, Tasik Pedu Investments Limited, EAGLE LOGISTIC HOLDINGS II LIMITED, PV Optimus Three Limited, PV Optimus Two Limited, PV Optimus Four Limited, Princeville Global Smart Logistics Investments Limited and PRIVATUS NOMINEES PTY LTD as trustee for Princeville Global III ANZ Fund, each an independent third party. Other shareholders also include grantees who hold shares under the Pre-[REDACTED] Equity Incentive Plans. See “Statutory and General Information — D. Equity Incentive Plans” in Appendix V to this document for details.
- (4) Cainiao Supply Chain Management (RU) Limited Liability Company is held by Cainiao Chengdu SL Holding Limited as to 99% and Cainiao Xiasha Holding Limited (wholly owned by Cainiao Chengdu SL Holding Limited) as to 1%. Cainiao Chengdu SL Holding Limited is indirectly wholly owned, through Cainiao Chengdu SL Investment Limited and Cainiao Smart Logistics Investment Limited, by our Company.
- (5) Hangzhou Xiniao is our non wholly-owned subsidiary held by our Company as to 56.6%, Ningbo Meishan Bonded Port Area Fushan Investment Co., Ltd. as to 18.5%, Shentong Investment Management (Zhoushan) Co., Ltd. as to 13.9% and Zhejiang Zhongrui Investment Management Co., Ltd. as to 11.0%.
- (6) Zhejiang Yizhan is our non wholly-owned subsidiary held by our Company as to 51%, Alibaba as to 16.77% and Shanghai Zhongtongji Network Technology Co., Ltd. as to 13.75%. Zhejiang Yizhan is therefore our connected subsidiary under Rule 14A.16 of the Listing Rules. The other minority shareholders of Zhejiang Yizhan include Ningbo Meishan Bonded Port Area Fushan Investment Co., Ltd., YTO Express Group Co., Ltd., Ningbo Yuanze Gufen Investment Management Limited Partnership, Shentong Investment Management (Zhoushan) Co., Ltd., each an independent third party, and BEST Logistics Technologies (China) Co., Ltd. See “Connected Transactions” in this document for details.
- (7) Zhejiang Danniao is our non wholly-owned subsidiary held by our Company as to 80.49% and Alibaba as to 19.51%. Zhejiang Danniao is therefore our connected subsidiary under Rule 14A.16 of the Listing Rules. See “Connected Transactions” in this document for details.

HISTORY AND CORPORATE STRUCTURE

Corporate structure immediately following the completion of the [REDACTED]

The following simplified diagram illustrates the corporate and shareholding structure of our Group immediately upon the completion of the [REDACTED], assuming the [REDACTED] is not exercised and excluding any shares to be issued under the Pre-[REDACTED] Equity Incentive Plans and the Post-[REDACTED] Equity Incentive Plan:



HISTORY AND CORPORATE STRUCTURE

Notes:

- (1) Alibaba International is directly wholly owned by Alibaba Cayman, which is held by Alibaba Investment as to 96.5% and Ali CN Investment as to 3.5%. Alibaba Investment is directly wholly owned by Alibaba Limited, which is held by Alibaba as to 80.02% and Alibaba Treasury (a wholly-owned subsidiary of Alibaba) as to 19.98%.
- (2) Mr. Guojun SHEN holds his interest through Keen Leap as to [REDACTED]%, Elite Data as to [REDACTED]%, Elite Idea as to [REDACTED]%, Profit Reach as to [REDACTED]%. Profit Reach is a limited company incorporated in the BVI. It is directly wholly owned by Profit Reach Holdings Limited, which is in turn wholly owned by Guojun Evergreen Limited. Each of Elite Data, Keen Leap and Elite Idea is a limited company incorporated in the BVI and is directly wholly owned by Guojun Evergreen Limited. Guojun Evergreen Limited is beneficially wholly owned by Guojun Evergreen Trust, which is a family trust established by Mr. Guojun SHEN as the settlor, with Mr. Guojun SHEN and his family members as beneficiaries. Cantrust (Far East) Limited is the trustee of Guojun Evergreen Trust. Mr. Guojun SHEN is the founder of China Yintai Holdings Co., Ltd., which is a diversified industrial development and investment group, with a portfolio of key businesses including Yintai Commercial Group, Yintai Land, Yintai Foundation Group and Yintai Investment & Finance. 108,513,150 Shares are held by Ali KB Investment under a tax escrow arrangement with Mr. Guojun SHEN. See “Substantial Shareholders” for details.
- (3) Other investors include Stater Investment Holdings Limited, EAGLE LOGISTIC HOLDINGS LIMITED, APSIF PTE LTD, ZTO CN Holding Limited, YTO Holding Group Company Limited, ANDERSON INVESTMENTS PTE. LTD., STO Express Investment Holding Pte. Ltd., YunDa Express Logistics (HK) Limited, Primavera Capital Growth Fund VI L.P., EAGLE LOGISTIC HOLDINGS III LIMITED, MOONLIGHT RAY LIMITED, PV Optimus Limited, Tasik Pedu Investments Limited, EAGLE LOGISTIC HOLDINGS II LIMITED, PV Optimus Three Limited, PV Optimus Two Limited, PV Optimus Four Limited, Princeville Global Smart Logistics Investments Limited and PRIVATUS NOMINEES PTY LTD as trustee for Princeville Global III ANZ Fund, each an independent third party. Other shareholders also include grantees who hold shares under Pre-[REDACTED] Equity Incentive Plans. See “Statutory and General Information — D. Equity Incentive Plans” in Appendix V to this document for details.
- (4) Cainiao Supply Chain Management (RU) Limited Liability Company is held by Cainiao Chengdu SL Holding Limited as to 99% and Cainiao Xiasha Holding Limited (wholly owned by Cainiao Chengdu SL Holding Limited) as to 1%. Cainiao Chengdu SL Holding Limited is indirectly wholly owned, through Cainiao Chengdu SL Investment Limited and Cainiao Smart Logistics Investment Limited, by our Company.
- (5) Hangzhou Xiniao is our non wholly-owned subsidiary held by our Company as to 56.6%, Ningbo Meishan Bonded Port Area Fushan Investment Co., Ltd. as to 18.5%, Shentong Investment Management (Zhoushan) Co., Ltd. as to 13.9% and Zhejiang Zhongrui Investment Management Co., Ltd. as to 11.0%.
- (6) Zhejiang Yizhan is our non wholly-owned subsidiary held by our Company as to 51%, Alibaba as to 16.77% and Shanghai Zhongtongji Network Technology Co., Ltd. as to 13.75%. Zhejiang Yizhan is therefore our connected subsidiary under Rule 14A.16 of the Listing Rules. The other minority shareholders of Zhejiang Yizhan include Ningbo Meishan Bonded Port Area Fushan Investment Co., Ltd., YTO Express Group Co., Ltd., Ningbo Yuanze Gufen Investment Management Limited Partnership, Shentong Investment Management (Zhoushan) Co., Ltd., each an independent third party, and BEST Logistics Technologies (China) Co., Ltd. See “Connected Transactions” in this document for details.
- (7) Zhejiang Danniao is our non wholly-owned subsidiary held by our Company as to 80.49% and Alibaba as to 19.51%. Zhejiang Danniao is therefore our connected subsidiary under Rule 14A.16 of the Listing Rules. See “Connected Transactions” in this document for details.

HISTORY AND CORPORATE STRUCTURE

SAFE REGISTRATION

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the “SAFE Circular 37”), promulgated by SAFE and which became effective on July 4, 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests to an overseas special purpose vehicle (the “Overseas SPV”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV’s PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV’s capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Circular of the SAFE on Further Simplifying and Improving the Policies Concerning Foreign Exchange Control on Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知), promulgated by SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interests in the domestic entity are located.

As advised by our PRC Legal Adviser, 20 ultimate individual shareholders of our Company who are PRC residents have completed the required registration with the local SAFE branch in August 2023 pursuant to SAFE Circular 37. However, some of our beneficial owners who hold our Shares may not have duly filed and completed foreign exchange registration pursuant to SAFE Circular 37. See also “Risk Factors — PRC regulations relating to investments in offshore companies by PRC residents may subject our PRC-resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to inject capital into our PRC subsidiaries or limit our PRC subsidiaries’ ability to increase their registered capital or distribute profits.”

CONTRACTUAL ARRANGEMENTS

PRC REGULATORY BACKGROUND

Overview

Foreign investment activities in the PRC are mainly governed by the Special Administrative Measures (Negative List) for Foreign Investment Access (the “**Negative List**”) and the Catalog of Industries for Encouraging Foreign Investment (the “**Encouraging Catalog**”), which was promulgated and is amended from time to time jointly by the MOFCOM and the NDRC. The Negative List and the Encouraging Catalog divide industries into three categories in terms of foreign investment, namely, “encouraged”, “restricted” and “prohibited”. Industries not listed under the Negative List and the Encouraging Catalog are generally deemed as falling into the fourth category “permitted”. The currently effective Negative List is the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Version) (the “**2021 Negative List**”), which became effective on January 1, 2022.

A summary of our businesses/operations that are subject to foreign investment restriction in accordance with the 2021 Negative List and other applicable PRC laws (the “**Relevant Businesses**”) is set out below:

<u>Category</u>	<u>Relevant Businesses</u>
“Restricted”	
Value-added telecommunications services	<p>Our Group has developed and operates our official website and mobile applications, including the Cainiao App, through which consumers and small businesses access a wide array of logistics services, such as courier matching, smart dispatching and end-to-end status tracking. Given the large number of users on our mobile applications, our Group also provides advertising services on the Cainiao App.</p> <p>According to the applicable PRC laws, foreign investors are not allowed to hold more than 50% equity interests in any enterprise conducting value-added telecommunication business (excluding e-commerce, domestic multiparty communication services, store-and-forward services and call center services).</p>

CONTRACTUAL ARRANGEMENTS

Category	Relevant Businesses
	As confirmed by our PRC Legal Adviser:
	<ul style="list-style-type: none"><li data-bbox="660 314 1369 661">• the provision of advertising services and instant information interaction services on the Cainiao App constitutes provision of commercial internet information services under the applicable PRC laws and regulations and requires an Internet Content Provider License (“ICP License”) and is therefore subject to foreign investment restrictions (i.e. foreign ownership is permitted to up to 50%) as discussed above;<li data-bbox="660 712 1369 938">• the e-commerce functions on our website and the Cainiao App allowing our consumers access to various logistics services require a value-added telecommunication business license for electronic data interchange (“EDI License”) under the applicable PRC laws and regulations;<li data-bbox="660 989 1369 1378">• the use of SMS and GPS functions for the status tracking services provided on our website and the Cainiao App constitutes provision of commercial information services under the applicable PRC laws and regulations and requires a service provider license (information services, excluding Internet information services) (the “SP License”) and is therefore subject to foreign investment restrictions (i.e. foreign ownership is permitted to up to 50%) as discussed above; and<li data-bbox="660 1430 1369 1651">• the provision of call center services by allowing our customers to make enquiries and obtain status tracking information on our website and the Cainiao App requires a value-added telecommunications business operating license for domestic call center business (“Call Center License”).

CONTRACTUAL ARRANGEMENTS

<u>Category</u>	<u>Relevant Businesses</u>
	<p>Whilst businesses subject to an EDI License and a Call Center License are not subject to any foreign investment ownership restrictions under the applicable PRC laws and regulation, the functions that require the EDI License and the Call Center License are highly integrated and inherently embedded into our website and the Cainiao App with the functions described above requiring the ICP License and the SP License, it is therefore not possible for us to conduct such businesses through a separate entity.</p> <p>Our Group operates our website and the Cainiao App through Hangzhou Cainiao Logistics Information Technology Co., Ltd.* (杭州菜鳥物流信息科技有限公司) (the “VIE Entity”). The VIE Entity, therefore, currently holds two value-added telecommunications business operating licenses, namely (i) an ICP & EDI License; and (ii) a SP & Call Center License.</p>

None of our businesses/operations are subject to foreign investment prohibition in accordance with the 2021 Negative List and other applicable PRC laws.

For further details of the limitations on foreign ownership in PRC companies conducting the aforementioned business under PRC laws and regulations, see “Regulatory Overview”.

Requirements under the FITE Regulations

Foreign investment in a company providing value-added telecommunications services, including Internet information provision services, is subject to the Provisions on the Administration of Foreign-invested Telecommunications Enterprises (《外商投資電信企業管理規定》), or the FITE Regulations, which were promulgated by the State Council on December 11, 2001, and subsequently amended on September 10, 2008, February 6, 2016 and recently on March 29, 2022 by the Decision on Amending and Abolishing Some Administrative Regulations (《關於修改和廢止部分行政法規的決定》) issued by the State Council (the “**Order No. 752**”). Following the issue of Order No. 752, the qualification requirements (the “**Qualification Requirements**”) previously set out in the FITE Regulations which the main foreign investor must satisfy for investing in a PRC value-added telecommunications business were removed with effect from May 1, 2022. Nevertheless, under the amended FITE Regulations, whilst there are no foreign investment ownership restrictions on businesses subject to a Call Center License, whether an entity held by foreign shareholder(s) may in practice hold a Call Center License is still subject to the examination of substance and merits by the relevant authority.

CONTRACTUAL ARRANGEMENTS

The respective PRC legal advisers of the Company and of the Joint Sponsors conducted a verbal consultation with the Industry and Planning Research Institute of China Academy of Information and Communications Technology (中國信息通信研究院) ("CAICT") on July 24, 2023, during which the officer of the Industry and Planning Research Institute of CAICT confirmed that (i) CAICT, as an affiliated institute directly under the MIIT (中國工業和信息化部直屬事業單位), is responsible for accepting applications and the preliminary examination for value-added telecommunications business license. The CAICT provides research support for the MIIT on industry policy and development plan, and consultation services relating to the interpretation of rules and regulations governing value-added telecommunications services, including, among other things, consultation on foreign investment policy and the issue of value-added telecommunications business licenses; (ii) in light of the frequent occurrence of telecom fraud, the provision of call center services is strictly regulated by the relevant authority in the PRC. Any application for a Call Center License by a company with foreign investment will not normally be considered; (iii) where a company is required under relevant regulations to file with the MIIT for a renewal of the Call Center License upon any change of its shareholder(s), it will be practically difficult for such application to be approved if any foreign investor is introduced; (iv) as of now, the entering into the Contractual Arrangements is not subject to any approval or regulation by the MIIT. The MIIT does not object to and will not require termination of such contractual arrangements; (v) the existence of the Contractual Arrangements will not invalidate our value-added telecommunications business licenses; and (vi) as of now, the MIIT has not imposed any penalties as a result of any contractual arrangements.

In light of the verbal consultation with CAICT and as advised by our PRC Legal Adviser, in the event that our Group wishes to hold any equity interest in the VIE Entity through the WFOE or any of our wholly-owned subsidiaries, we are required to apply for a renewed SP & Call Center License to be issued by the MIIT, and it is practically difficult for such application to be approved in practice. While foreign investments are not entirely prohibited in entities holding the ICP & EDI License, we are of the view that the Contractual Arrangements are narrowly tailored on the basis that:

- (i) our Group provides a full suite of logistics services to our customers through our website and mobile applications and the services and functions requiring the ICP & EDI License and the SP & Call Center License are inherently embedded into our website and mobile applications. Separation of the services and functions will disrupt customer experience and impact efficiency. For example, we allow our customers to obtain status tracking services of their parcels through our website and the Cainiao App (which requires both the ICP & EDI License and the SP & Call Center License). We will not be able to provide such services in the absence of any of the required licenses, which would have a significant impact on the operation of our logistics service business. Separation of such services and functions are therefore impracticable and it is highly burdensome to request our customers to enter into agreements with our different legal entities for essentially the same set of services;

CONTRACTUAL ARRANGEMENTS

- (ii) the logistics services provided by us to our customers, which requires the ICP & EDI License and the SP & Call License, are supported by the same technology and data infrastructure and the same team of specialists, it is therefore impracticable for us to separate those infrastructure and specialists under two different legal entities; and
- (iii) applicable PRC laws require that the entity operating a mobile application must be the same entity that holds the relevant value-added telecommunications business licenses and the relevant software copyrights, we are therefore prohibited from providing services through our mobile applications under two different legal entities.

We will communicate with the relevant authorities following the [REDACTED] to keep abreast of any regulatory developments, and will adjust the Contractual Arrangements to satisfy the “narrowly tailored” principle as set forth in the Listing Decision LD43-3 to the extent practicable, as soon as practicable after further guidance from authorities is published with respect to the specific requirements under the then applicable PRC laws and regulations and the regulatory procedures that we need to follow to complete such adjustment.

OUR CONTRACTUAL ARRANGEMENTS

Overview

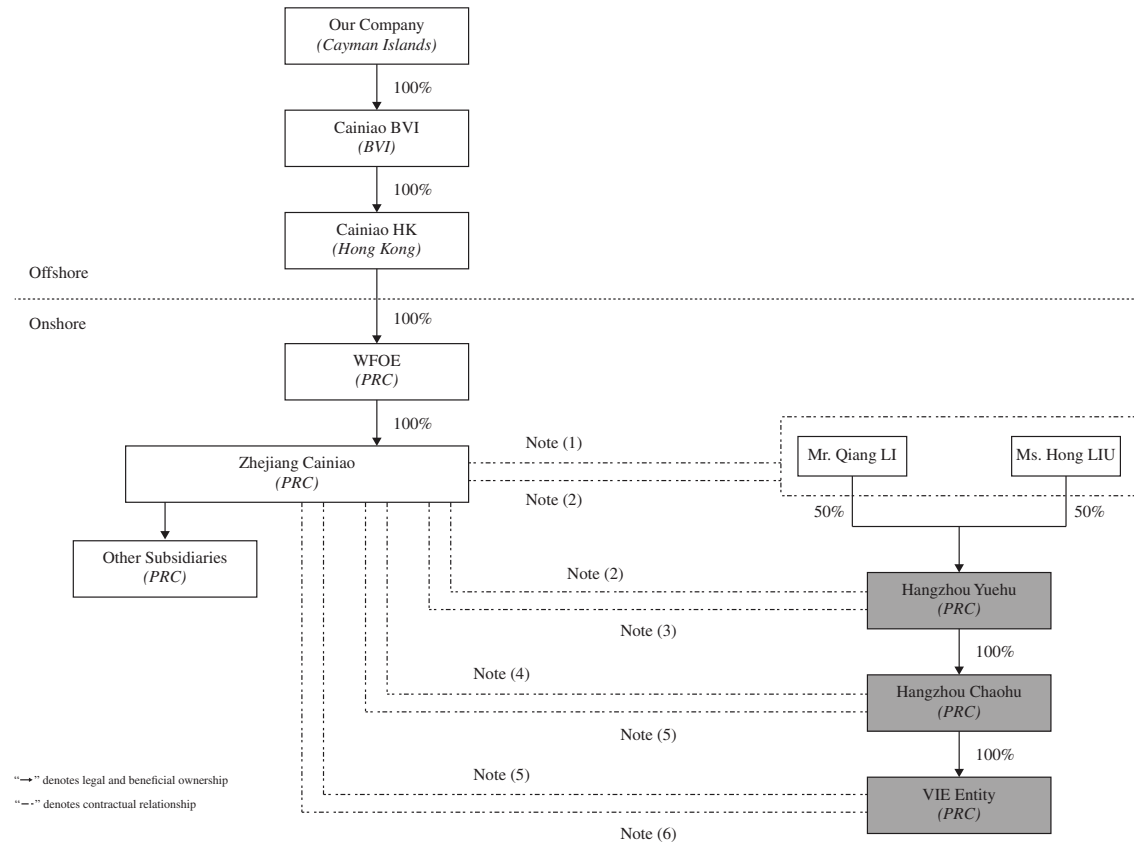
Because foreign investment in certain areas of the industry in which we currently operate is subject to restrictions under current PRC laws and regulations as outlined above, we do not directly own any equity interests in the VIE Entity.

In view of the aforementioned PRC regulatory background, after consultation with our PRC Legal Adviser, we determined that it was not viable for our Company to hold the VIE Entity directly through equity ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions, we would gain effective control over, and receive all the economic benefits generated by the businesses currently operated by the VIE Entity through the Contractual Arrangements. The Contractual Arrangements allow the results of operations and assets and liabilities of our Consolidated Affiliated Entities to be consolidated into our results of operations and assets and liabilities under IFRS as if they were subsidiaries of our Group.

In order to comply with PRC laws and regulations while availing ourselves of international capital markets and maintaining effective control over all of our operations, we commenced a series of reorganization activities. We have enhanced the structure we use to hold the VIE Entity so that we can better ensure the stability and proper governance of the VIE Entity (the “**VIE Structure Enhancement**”). Upon completion of the VIE Structure Enhancement, the equity interest of the VIE Entity, instead of being held by an individual, is directly held by a SPV, Hangzhou Chaohu, which in turn will be indirectly held (through another layer of SPV, Hangzhou Yuehu) by two individual PRC citizens, i.e. Mr. Qiang LI (李強), our Chief Technology Officer, and Ms. Hong LIU (劉紅), our Chief People Officer, each of whom holds 50% of the equity interest in Hangzhou Yuehu.

CONTRACTUAL ARRANGEMENTS

The following diagram sets out the ownership structure and the contractual arrangements of the VIE Entity following the VIE Structure Enhancement:



Notes:

- (1) Zhejiang Cainiao agreed to provide an interest-free loan to the Registered Shareholders, which may only be used for the purpose of the business operation activities agreed by Zhejiang Cainiao. See “— Our Contractual Arrangements — Summary of the agreements under the Contractual Arrangements — Loan agreements”.
- (2) The Registered Shareholders agreed to grant an exclusive option to Zhejiang Cainiao to purchase all or any part of the equity interests from the Registered Shareholders and/or all or any of the assets in Hangzhou Yuehu. See “— Our Contractual Arrangements — Summary of the agreements under the Contractual Arrangements — Exclusive option agreements”. The Registered Shareholders irrevocably appointed Zhejiang Cainiao or its designee(s) to act as their attorney on their behalf to exercise all rights in connection with matters concerning their right as shareholders of Hangzhou Yuehu. See “— Our Contractual Arrangements — Summary of the agreements under the Contractual Arrangements — Powers of attorney on shareholders’ voting rights”. The Registered Shareholders agreed to pledge all of their respective equity interests in Hangzhou Yuehu to Zhejiang Cainiao, as a security interest to guarantee the performance of contractual obligations and the payment of the outstanding loan of the Registered Shareholders under the Contractual Arrangements. See “— Our Contractual Arrangements — Summary of the agreements under the Contractual Arrangements — Equity interest pledge agreements”.
- (3) Hangzhou Yuehu agreed to engage Zhejiang Cainiao as its exclusive provider of, among other matters, technical support and consultancy services in exchange for service fees. See “— Our Contractual Arrangements — Summary of the agreements under the Contractual Arrangements — Exclusive service agreements”.

CONTRACTUAL ARRANGEMENTS

- (4) Zhejiang Cainiao agreed to provide an interest-free loan to Hangzhou Chaohu, which may only be used for the purpose of the business operation activities agreed by Zhejiang Cainiao. See “— Our Contractual Arrangements — Summary of the agreements under the Contractual Arrangements — Loan agreements”.
- (5) Hangzhou Chaohu agreed to grant an exclusive option to Zhejiang Cainiao to purchase all or any part of the equity interests from Hangzhou Chaohu and/or all or any of the assets in the VIE Entity. See “— Our Contractual Arrangements — Summary of the agreements under the Contractual Arrangements — Exclusive option agreements”. Hangzhou Chaohu irrevocably appointed Zhejiang Cainiao or its designee(s) to act as its attorney on its behalf to exercise all rights in connection with matters concerning its right as the sole shareholder of the VIE Entity. See “— Our Contractual Arrangements — Summary of the agreements under the Contractual Arrangements — Powers of attorney on shareholders’ voting rights”. Hangzhou Chaohu agreed to pledge all of its respective equity interests in the VIE Entity to Zhejiang Cainiao, as a security interest to guarantee the performance of contractual obligations and the payment of the outstanding loan of Hangzhou Chaohu under the Contractual Arrangements. See “— Our Contractual Arrangements — Summary of the agreements under the Contractual Arrangements — Equity interest pledge agreements”.
- (6) The VIE Entity agreed to engage Zhejiang Cainiao as its exclusive provider of, among other matters, technical support and consultancy services in exchange for service fees. See “— Our Contractual Arrangements — Summary of the agreements under the Contractual Arrangements — Exclusive service agreements”.
- (7) “[]” denotes our Registered Shareholders, which are Mr. Qiang LI and Ms. Hong LIU.
- (8) “[]” denotes our Consolidated Affiliated Entities, which are Hangzhou Yuehu, Hangzhou Chaohu and the VIE Entity.

Following the VIE Structure Enhancement, Zhejiang Cainiao, on the one hand, and the VIE Entity, Hangzhou Yuehu and Hangzhou Chaohu (the two layers of legal entities above the VIE Entity), as well as the natural person equity holders, on the other hand, will enter into the Contractual Arrangements. Compared with our previous VIE shareholder structure which uses a natural person to serve as the direct equity holder of the VIE Entity, we have designed the VIE Structure Enhancement to:

- reduce the key man and succession risks associated with natural persons directly holding the VIE Entity;
- create a VIE ownership structure that is more stable and self-sustaining, by distancing the natural person interest holders with the VIE Entity with multiple layers of legal entities; and
- further enhance our control over the VIE Entity through multiple layers of contractual arrangements.

Pursuant to the VIE Structure Enhancement, and in replacement of certain previous contractual arrangements to comply with the requirements set out in Listing Decision LD43-3, the Contractual Arrangements currently in effect were entered into on August 16, 2023, August 25, 2023 and September 1, 2023, whereby Zhejiang Cainiao has acquired effective control over the financial and operational policies of our Consolidated Affiliated Entities and has become entitled to all the economic benefits derived from their operations. The revenue contribution of all our Consolidated Affiliated Entities to our Group, taking into account all of their respective businesses with or without foreign investment restrictions under PRC laws, amounted to approximately 0.5%, 0.4%, 1.0% and 1.5% for the years ended March 31, 2021, 2022, 2023 and the three months ended June 30, 2023, respectively. Based on the above, we believe that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations.

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Our Directors (including independent non-executive Directors) believe that the Contractual Arrangements and the transactions contemplated thereunder are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into among Zhejiang Cainiao, the Registered Shareholders and our Consolidated Affiliated Entities; (ii) by entering into the exclusive service agreements with Zhejiang Cainiao, which is our subsidiary incorporated in the PRC, our Consolidated Affiliated Entities will enjoy better economic and technical support from us, as well as a better market reputation after the [REDACTED], and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

Circumstances under which we will unwind the Contractual Arrangement

Our Group will unwind and terminate the Contractual Arrangements as soon as practicable in respect of the operation of our internet information provision service business to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations if the relevant government authority grants the ICP & EDI license and the Call Center License & SP License to our foreign investment companies.

Summary of the agreements under the Contractual Arrangements

A description of each of the specific agreements that comprise the Contractual Arrangements is set out below.

Exclusive service agreements (獨家服務協議)

Pursuant to the exclusive service agreement dated September 1, 2023 entered into between Zhejiang Cainiao and the VIE Entity (the “**Exclusive Service Agreement**”), the VIE Entity agreed to engage Zhejiang Cainiao as its exclusive provider of, among other matters, technical support and consultancy services in connection with the VIE Entity’s business (to the extent permitted under the applicable PRC laws) in exchange for service fees. The service fees are fixed with reference to the net profit of the VIE Entity. Zhejiang Cainiao may adjust the amount of service fees and the VIE Entity shall not oppose to such adjustment unless with reasonable grounds. Unless otherwise prescribed under the PRC laws and regulations and subject to limitations under the Exclusive Service Agreement, Zhejiang Cainiao shall have exclusive proprietary rights to any intellectual property (including but not limited to copyright, patent, technical secret and trade secret) in the work product developed by Zhejiang Cainiao or the VIE Entity in the course of the provision of services under the Exclusive Service Agreement. Subject to limitations under the Exclusive Service Agreement, the Exclusive Service Agreement has a term of 20 years and will be automatically renewed for consecutive terms of one year upon expiry unless otherwise notified by Zhejiang Cainiao. The Exclusive Service Agreement shall be terminated prior to expiration in the event that the business period of either the Zhejiang Cainiao or the VIE Entity expires, and Zhejiang Cainiao or the VIE Entity shall promptly complete the extension of the business period in advance for the purpose of extending the term of the Exclusive Service Agreement.

Hangzhou Yuehu has also entered into an exclusive service agreement with Zhejiang Cainiao dated August 16, 2023, which substantially mirrors the terms of the Exclusive Service Agreement set out above.

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Loan agreements (借款協議)

Pursuant to the loan agreement dated August 25, 2023 entered into between Zhejiang Cainiao and Hangzhou Chaohu (the “**Loan Agreement**”), Zhejiang Cainiao agreed to provide an interest-free loan to Hangzhou Chaohu, which may only be used for the purpose of the business operation activities as agreed by Zhejiang Cainiao. Hangzhou Chaohu, in return for provision of the loan, agreed to enter into an Equity Interest Pledge Agreement (as defined below) with Zhejiang Cainiao to pledge all of its equity interest in the VIE Entity as security. The term of the loan under the Loan Agreement is 20 years from the effective date, or for a period until expiration of the business period of Zhejiang Cainiao or the VIE Entity, whichever is earlier. Unless both parties agree to extend the term of the loan, Hangzhou Chaohu shall repay the loan upon expiry of the term or at any time earlier as may be determined by Zhejiang Cainiao at its absolute discretion. In such circumstances, unless otherwise prohibited by the applicable laws and regulations, Zhejiang Cainiao or its designee is entitled to acquire all or part of the equity interest held by Hangzhou Chaohu in the VIE Entity for a consideration equal to the outstanding loan amount. Hangzhou Chaohu shall waive any pre-emptive rights upon transfer of the equity interest in the VIE Entity to Zhejiang Cainiao. Any tax arising from the loan shall be borne by Zhejiang Cainiao and/or Hangzhou Chaohu in accordance with applicable laws.

Pursuant to the loan agreement dated August 16, 2023 between Zhejiang Cainiao and each of the Registered Shareholders, Zhejiang Cainiao agreed to provide an interest-free loan to each of the Registered Shareholders, which may only be used for the purpose of the business operation activities as agreed by Zhejiang Cainiao. The terms of such loan agreement substantially mirror the terms of the Loan Agreement set out above.

Exclusive option agreements (獨家購買權協議)

Pursuant to the exclusive option agreement dated September 1, 2023 entered into among Zhejiang Cainiao, Hangzhou Chaohu and the VIE Entity (the “**Exclusive Option Agreement**”), Hangzhou Chaohu agreed to irrevocably and unconditionally grant an exclusive option to Zhejiang Cainiao, so that Zhejiang Cainiao may elect to purchase, when permitted by the then applicable PRC laws, all or any part of the equity interests from Hangzhou Chaohu and/or all or any of the assets in the VIE Entity by itself or through its designee(s). In the event that any of the options is exercised by Zhejiang Cainiao, the transfer price of the relevant equity interests and assets shall correspond to the registered capital amount and the net asset value, respectively, or the minimum price legally permitted under the then applicable PRC laws (as the case may be). In addition, Zhejiang Cainiao shall be entitled to request for the reduction of registered capital of the VIE Entity and to subscribe for the newly increased registered capital of the VIE Entity by itself or through its designee(s). In connection with such capital reduction, the price payable by the VIE Entity to Hangzhou Chaohu shall be the paid-in capital corresponding to the reduced registered capital of the VIE Entity or the minimum price legally permitted under the then applicable PRC laws (as the case may be) (the “**Capital Reduction Price**”); and the subscription price payable by Zhejiang Cainiao or its designee(s) shall be equal to the Capital Reduction Price and the unpaid registered capital of the VIE Entity at that time (if any). Subject to the applicable PRC laws, Hangzhou Chaohu shall transfer to Zhejiang

CONTRACTUAL ARRANGEMENTS

Cainiao or its designee all the consideration it receives in relation to such transfer of equity interests in the VIE Entity or any proceeds resulting from the reduction of registered capital of the VIE Entity, the dissolution or winding up of the VIE Entity, or any dividends or distributions received in its capacity as the sole shareholder of the VIE Entity, after deduction of applicable taxes and government fees.

Pursuant to the Exclusive Option Agreement, without the prior written consent of Zhejiang Cainiao, Hangzhou Chaohu shall not sell, transfer, mortgage or dispose of in any manner any material assets (except in the ordinary course of business) of the VIE Entity, or any legal or beneficial interest in the business or revenue of the VIE Entity, or allow for the creation of any security interest thereon or the alteration of the registered capital of the VIE Entity or the merger of the VIE Entity with any other entity.

The Exclusive Option Agreement shall remain effective from the execution date and terminate when all the equity interests and assets of the VIE Entity have been legally transferred to Zhejiang Cainiao or its designee in accordance with the terms of the Exclusive Option Agreement.

Zhejiang Cainiao, the Registered Shareholders and Hangzhou Yuehu also entered into an exclusive option agreement dated August 16, 2023, which substantially mirrors the terms of the Exclusive Option Agreement set out above.

Powers of attorney on shareholders’ voting rights (股東表決權委託協議)

Pursuant to the powers of attorney on shareholder’s voting rights dated September 1, 2023 entered into among Zhejiang Cainiao, Hangzhou Chaohu and the VIE Entity (the “**Powers of Attorney**”), Hangzhou Chaohu irrevocably appointed Zhejiang Cainiao or its designee(s), including but not limited to a director of Zhejiang Cainiao’s offshore holding company or his or her successor (including a liquidator replacing the Zhejiang Cainiao’s director), to act as its attorney on its behalf to exercise all rights in connection with matters concerning its right as the sole shareholder of the VIE Entity, including but not limited to: (i) attending the shareholders’ meeting of the VIE Entity as representative(s) of Hangzhou Chaohu; (ii) exercising shareholders’ voting rights on issues including but not limited to, the designation and appointment of directors and other senior management that have to be appointed by the shareholders; (iii) signing meeting minutes and resolutions and filing documents with the relevant companies registry; (iv) other matters decided or executed by the shareholders pursuant to the relevant constitutional documents; and (v) signing relevant documents when Hangzhou Chaohu sells or transfers all or part of its equity interests pursuant to the Exclusive Option Agreement (as defined above). The Powers of Attorney shall remain effective for 20 years and will be automatically renewed for consecutive terms of one year upon expiry unless otherwise notified by Zhejiang Cainiao.

Zhejiang Cainiao, the Registered Shareholders and Hangzhou Yuehu also entered into powers of attorney on shareholders’ voting rights dated August 16, 2023, which substantially mirror the terms of the Powers of Attorney set out above.

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Equity interest pledge agreements (股權質押協議)

Pursuant to the equity interest pledge agreement dated September 1, 2023 among Zhejiang Cainiao, Hangzhou Chaohu and the VIE Entity (the “**Equity Interest Pledge Agreement**”), Hangzhou Chaohu agreed to pledge all of its respective equity interests in the VIE Entity to Zhejiang Cainiao, as a security interest to guarantee the performance of the contractual obligations, including repayment of the outstanding loan by Hangzhou Chaohu, under the Contractual Arrangements. Unless due to the intentional misconduct or gross negligence of Zhejiang Cainiao, Zhejiang Cainiao shall not be liable for any decrease in value of the pledged interest, and Hangzhou Chaohu shall not have any right to claim against Zhejiang Cainiao as a result of such decrease in value. However, in the event that the decrease in value of the pledged interest may jeopardize the rights of Zhejiang Cainiao, Zhejiang Cainiao may auction or sell the pledged interest for and on behalf of Hangzhou Chaohu, and allocate the proceeds received for loan repayment or deposit such proceeds to Zhejiang Cainiao’s local notary office. The pledge in respect of the VIE Entity takes effect upon completion of registration with the competent authority, and shall remain valid until all the contractual obligations of Hangzhou Chaohu and the VIE Entity under the relevant Contractual Arrangements have been fully performed and that all outstanding loan has been fully repaid. During the period of the pledge, without the prior written consent of Zhejiang Cainiao, Hangzhou Chaohu shall not create or agree to create any new pledge or other security on its equity interests in the VIE Entity, nor assign or transfer any of its equity interests in the VIE Entity.

Zhejiang Cainiao, each of the Registered Shareholders and Hangzhou Yuehu also entered into an equity interest pledge agreement dated August 16, 2023, which substantially mirrors the terms of the Equity Interest Pledge Agreement set out above.

Spouse undertaking (配偶同意函)

In addition, the spouse of each of the Registered Shareholders executed an irrevocable undertaking on August 16, 2023, whereby they expressly and irrevocably acknowledge and undertake that (i) any equity interests held by the Registered Shareholders in Hangzhou Yuehu do not fall within the scope of their communal properties; (ii) they will not have any claim on the equity interests in Hangzhou Yuehu; (iii) they will not participate in the operation or management of Hangzhou Yuehu.

Summary of other material terms of the Contractual Arrangements

Dispute resolution

Each of the Contractual Arrangements stipulates that where any dispute arises in connection with the provisions of the Contractual Arrangements: (i) the parties will negotiate in good faith to resolve the dispute; and (ii) failing that, any party may refer the dispute to the *China International Economic and Trade Arbitration Commission* (“**CIETAC**”) for arbitration, in accordance with the then effective arbitration rules. The arbitration will be conducted in Hangzhou. Any arbitration award will be final and binding on all parties.

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The dispute resolution clause also provides that: (i) the arbitral tribunal may award remedies over the equity interests or assets of Hangzhou Yuehu or the VIE Entity, grant injunctive relief (e.g. for the conduct of business or to compel a transfer of assets), or order the winding up of Hangzhou Yuehu or the VIE Entity; and (ii) the Hong Kong courts, the Cayman Islands courts (being the place of incorporation of our Company), and Chinese courts (being the place of incorporation of Hangzhou Yuehu and the VIE Entity) will also have jurisdiction to grant interim remedies.

However, as advised by our PRC Legal Adviser, under current PRC Laws: (i) an arbitral tribunal does not have the power to grant injunctive relief, nor would it be able to order the winding-up of Hangzhou Yuehu or the VIE Entity; and (ii) interim remedies issued by an overseas court (such as a court in Hong Kong and the Cayman Islands) may not be recognizable or enforceable by Chinese courts. Therefore, if the Registered Shareholders or our Consolidated Affiliated Entities are in breach of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our Consolidated Affiliated Entities and conduct our Relevant Businesses could be materially and adversely affected. See "Risk factors — Risks relating to our Corporate Structure" for further details.

Succession

Under the Contractual Arrangements, the rights and obligations of the parties, including those of the Registered Shareholders, will be legally binding on any assignee or successor of the parties.

Arrangements to address potential conflicts of interest

The Registered Shareholders and Hangzhou Chaohu have given their irrevocable undertakings in the relevant powers of attorney on shareholder(s)' voting rights which address potential conflicts of interests that may arise in connection with the Contractual Arrangements. Pursuant to the relevant powers of attorney on shareholder(s)' voting rights, the Registered Shareholders or Hangzhou Chaohu (as the case may be) will irrevocably appoint Zhejiang Cainiao or its designee(s) to act as their/its attorney on their/its behalf to exercise all rights in connection with matters concerning their/its rights as shareholder(s) of Hangzhou Yuehu or the VIE Entity (as the case may be). Therefore, it is unlikely that there will be potential conflicts of interests between our Company and the Registered Shareholders or Hangzhou Chaohu (as the case may be). See "— Summary of the agreements under the Contractual Arrangements — Powers of attorney on shareholders' voting rights" above.

Loss sharing

Under relevant PRC laws and regulations, neither our Company nor Zhejiang Cainiao is legally required to share the losses of, or provide financial support to, Hangzhou Yuehu or the VIE Entity. Further, each of Hangzhou Yuehu and the VIE entity is a legal person and a limited liability company and is solely liable for its own debts and losses with assets and properties owned by it.

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Nevertheless, given that (i) our Group conducts certain relevant businesses in China through the VIE Entity that holds the requisite PRC licenses and approvals; and (ii) the VIE Entity's financial results are consolidated into that of our Group under the applicable accounting principles, our business, financial condition and results of operations would be adversely affected if the VIE Entity suffered losses. Our Contractual Arrangements are tailored such that it limits, to the greatest extent possible, the potential adverse effect on Zhejiang Cainiao and our Company, that may result from any losses suffered by the VIE Entity. For instance, pursuant to the Exclusive Option Agreement, without the prior written consent of Zhejiang Cainiao, Hangzhou Chaohu shall not sell, transfer, mortgage or dispose of in any manner any material assets (except in the ordinary course of business) of the VIE Entity, or legal or beneficial interest in the business or revenue of the VIE Entity, or allow for the creation of any security interest thereon or the alteration of the registered capital of the VIE Entity or the merger of the VIE Entity with any other entity.

Liquidation

Pursuant to the Exclusive Option Agreement, in the event of dissolution or winding up of the VIE Entity, Hangzhou Chaohu shall transfer any proceeds resulting from such dissolution or winding up to Zhejiang Cainiao or its designee, after deduction of applicable taxes and government fees, subject to the applicable PRC laws.

Insurance

We do not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

Company's confirmation

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating our businesses through our Consolidated Affiliated Entities under the Contractual Arrangements.

Legality of the Contractual Arrangements

Zhejiang Cainiao's right to deal with the pledged equity interest in the VIE Entity under the Equity Interest Pledge Agreement and its option to acquire the relevant equity interest in and/or the relevant assets of the VIE Entity under the exclusive option agreements are confined to be carried out in a manner as permitted by the relevant PRC laws. Further, the pledges created under the equity interest pledge agreements shall only become effective upon its due registration with the relevant local SAMR. Based on the above, our PRC Legal Adviser is of the opinion that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations.

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Our PRC Legal Adviser is also of the opinion that:

- (i) each of Zhejiang Cainiao, Hangzhou Yuehu, Hangzhou Chaohu and the VIE Entity is an independent legal entity which is duly established, and their respective establishment is valid, effective and complies with the relevant PRC laws;
- (ii) each of the agreements under the Contractual Arrangements is legal, valid and binding on the parties thereto and none of the them would be deemed as void under the PRC Civil Code;
- (iii) none of the agreements under the Contractual Arrangements violates any provisions of respective articles of association of Zhejiang Cainiao, or our Consolidated Affiliated Entities;
- (iv) the Contractual Arrangements do not require any approvals from the PRC governmental authorities, except that (a) the pledges under the equity interest pledge agreements are required to be registered with the relevant local SAMR; and (b) the exercise of the option by Zhejiang Cainiao of its right under exclusive option agreements to all or part of the equity interests in the VIE Entity and Hangzhou Yuehu is subject to the approvals of, consent of, filing with and/or registration with the PRC governmental authorities;
- (v) the Contractual Arrangements are not in violation of applicable PRC laws and regulations, except that the Contractual Arrangements provide that the arbitral body may award remedies over the equity and/or assets of Hangzhou Yuehu or the VIE Entity, injunctive relief and/or winding up of Hangzhou Yuehu or the VIE Entity, and that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal, while under PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in Hangzhou Yuehu or the VIE Entity in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC; and
- (vi) the consummation of the contemplated [REDACTED] of our shares on the Stock Exchange is not a violation of the M&A Rules, which was adopted by six PRC regulatory agencies, including MOFCOM and the China Securities Regulatory Commission, and effective since September 2006 and amended on June 22, 2009. Our PRC Legal Adviser is of the view that the use of the Contractual Arrangements does not constitute a breach of the relevant laws and regulations. However, we have been advised by our PRC Legal Adviser that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and

CONTRACTUAL ARRANGEMENTS

regulations. Accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to or otherwise different from the above opinion of our PRC Legal Adviser.

Based on the above advice from our PRC Legal Adviser, our Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations and the Contractual Arrangements conferring significant control and economic benefits from the VIE Entity are enforceable under the PRC laws and regulations. See “Risk Factors — Risks Related to Our Corporate Structure — If the contractual arrangements in relation to our VIE were deemed not in compliance with PRC regulatory requirements on foreign investment, or if these regulations or the interpretation of existing regulations changes in the future, we could be subject to penalties, or be forced to relinquish our interests in those operations, which would materially and adversely affect our business, financial results and the [REDACTED] of our Shares.”

Given that the Contractual Arrangements will constitute non-exempt continuing connected transactions of our Company, a waiver has been sought from and [has been granted] by the Stock Exchange, details of which are disclosed in the section headed “Connected Transactions” of this document.

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

Background of the 2019 PRC Foreign Investment Law

On March 15, 2019, the National People’s Congress approved the 2019 PRC Foreign Investment Law which became effective on January 1, 2020. On December 26, 2019, the State Council promulgated the Implementation Regulations on the Foreign Investment Law, which came into effect on January 1, 2020. The 2019 PRC Foreign Investment Law replaced the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Ventures Enterprise Law and the Wholly Foreign Invested Enterprises Law to become the legal foundation for foreign investment in the PRC. The 2019 PRC Foreign Investment Law stipulates certain forms of foreign investment, but does not explicitly stipulate contractual arrangements as a form of foreign investment. The Implementation Regulations on the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements.

Impact and consequences of the 2019 PRC Foreign Investment Law

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including our Group. We use the Contractual Arrangements to establish control of our Consolidated Affiliated Entities, by Zhejiang Cainiao, through which we operate our business in the PRC. As advised by our PRC Legal Adviser, since contractual arrangements are not specified as foreign investment under the 2019 PRC Foreign Investment Law and if future laws, regulations and provisions prescribed by the State Council do not incorporate contractual arrangements as a form of foreign investment, our Contractual Arrangements as a

CONTRACTUAL ARRANGEMENTS

whole and each of the agreements comprising the Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties with an exception, for which, see “Contractual Arrangements — Our Contractual Arrangements — Legality of the Contractual Arrangements”.

Notwithstanding the above, the 2019 PRC Foreign Investment Law stipulates that foreign investment includes “foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council” without elaboration on the meaning of “other methods”. There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of our Consolidated Affiliated Entities will not be materially and adversely affected in the future due to changes in PRC laws and regulations. See “Risk Factors — Risks Related to Our Corporate Structure — The interpretation and implementation of the foreign investment laws of the PRC with respect to the VIE structure may impact the viability of our current corporate structure, business, financial condition and results of operations.”

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- (i) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion as and when they arise;
- (ii) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (iii) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports; and
- (iv) our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of Zhejiang Cainiao and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

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ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Consolidation of financial results of Consolidated Affiliated Entities

As a result of the Contractual Arrangements, Zhejiang Cainiao has rights to exercise power over our Consolidated Affiliated Entities, receives variable returns from its involvement in our Consolidated Affiliated Entities, has the ability to affect those returns through its power over our Consolidated Affiliated Entities and is considered to control our Consolidated Affiliated Entities. Accordingly, our Consolidated Affiliated Entities are treated as controlled structured entities of our Company and consolidated by our Company. The basis of consolidating the results of our Consolidated Affiliated Entities is disclosed in Note 2.1 to the Accountant's Report set out in Appendix I.

OUR BUSINESS

OUR MISSION

Our mission is to make it easy to do business anywhere.

OUR VISION

Our vision is to transform the logistics industry and enable a seamless e-commerce experience anywhere in the world, achieving delivery within 24 hours in China and 72 hours worldwide.

WHO WE ARE

Cainiao is a global leader in e-commerce logistics. We are the largest provider of cross-border e-commerce logistics services globally and a leader in China logistics services, according to CIC. Drawing on our deep e-commerce insights and technological capabilities, we have established a smart logistics network, with end-to-end logistics capabilities, on a global scale. Our innovative solutions redefine industry standards and unlock new market opportunities for our customers and partners in e-commerce and beyond, throughout China and across the world.

Disruptive International Logistics Solutions



No.1 Globally⁽¹⁾

1.5+ billion cross-border e-commerce parcels delivered in fiscal year 2023



No.1 Globally⁽²⁾

~3.0 million square meters GFA of warehouses for cross-border e-commerce as of June 30, 2023

Industry-leading China Logistics Solutions



Top 3⁽³⁾

premium e-commerce logistics company



No.1 Globally⁽⁴⁾

digital network with 170,000+ “pick-up, drop-off” stations as of June 30, 2023

Innovative Technologies & Capabilities



No.1 Globally⁽⁵⁾

60+ million average MAUs of Cainiao App in fiscal year 2023



~20%

of employees dedicated to technology and product development as of June 30, 2023

Notes:

- (1) In terms of parcel volume in 2022.
- (2) In terms of gross floor area of warehouses for cross-border e-commerce as of June 30, 2023.
- (3) In terms of revenue in 2022.
- (4) In terms of both the number of “pick-up, drop-off” stations as of December 31, 2022 and the number of parcels processed in 2022.
- (5) In terms of average MAUs among logistics apps in 2022.

OUR BUSINESS

Our Origins

Cainiao was founded by Alibaba Group and other partners in 2013 to address the growing, evolving requirements for logistics services of the buyers and sellers on Alibaba Group’s e-commerce platforms. We emerged as an open technology platform incubated within the world’s largest e-commerce ecosystem. This heritage instilled in us a distinctive “e-commerce × technology” DNA.

E-commerce DNA. We were founded to support the growth and expansion of Alibaba Group’s e-commerce platforms by providing logistics capabilities that other members of the ecosystem could not develop on their own. Immersed in the world’s largest, most complex Alibaba ecosystem, we have gained a deep understanding of e-commerce. We access the world’s largest pool of merchants who continue to expand their businesses in China, and increasingly across the world. This e-commerce DNA serves as the driver of our growth. We believe e-commerce and, in particular, cross-border e-commerce from China and globally, represents an exciting growth opportunity.

Technology DNA. In the early years, our focus was to digitalize the logistics value chain for Alibaba Group’s e-commerce platforms and to provide innovative technology, tools, insights and standards for its ecosystem participants. In 2014, we were the first in China to successfully introduce a standardized e-waybill system open to all express delivery companies and merchants, which increased the logistics industry’s parcel digitalization rate from less than 5% to more than 80% within three years, according to CIC. Our technology DNA is ingrained into every facet of our business, enabling innovations in our business model, network and services.

We continue to draw strength and inspiration from our “e-commerce × technology” DNA as we forge ahead on our journey to transform the global logistics industry.

From Technology Platform to Smart Logistics Network

Over the years, we evolved from a pure technology platform into a smart logistics network with end-to-end capabilities. We take a strategic approach to control the key nodes of the network, such as e-Hubs, warehouses, sorting centers and last-mile delivery operations, to ensure service quality, efficiency and reliability, while leveraging trusted partners’ capabilities to drive scalability and capital efficiency. This strategic approach, together with the integration of advanced technologies into the network operation, has allowed us to develop a purpose-built logistic network that facilitates seamless parcel flow for global e-commerce.

From China to Global

We are at the forefront of the evolution of global cross-border e-commerce. We both enable and benefit from the expansion of cross-border e-commerce. China is the largest export country with a significant import demand and, with an increasing level of digitalization, plays a central role in the growth of the global e-commerce industry. Leveraging our deep

OUR BUSINESS

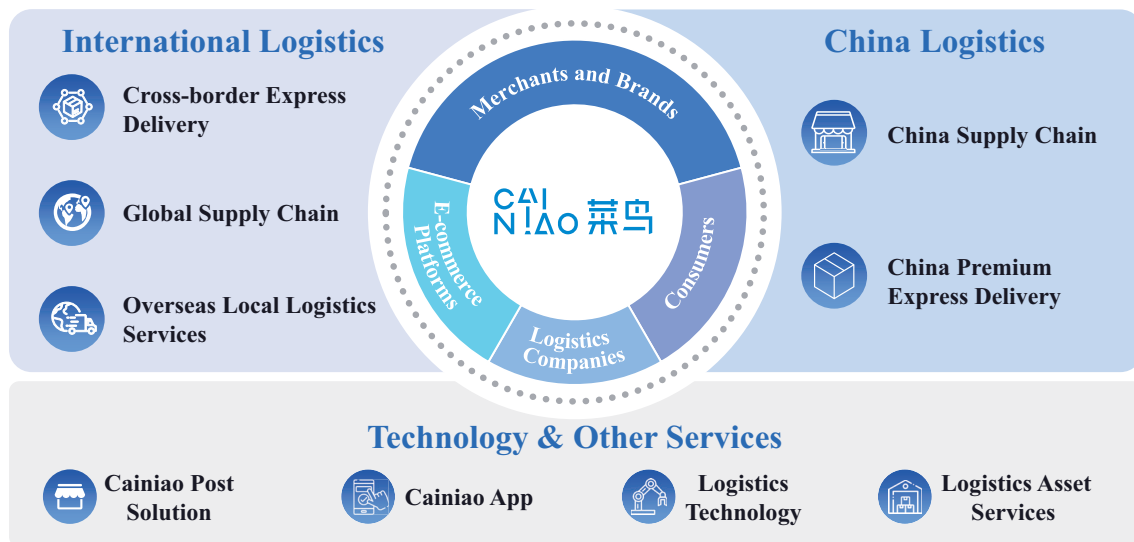
e-commerce insights, advanced technology and smart logistics network, we have established global end-to-end capabilities and pioneered disruptive international logistics solutions tailored to global e-commerce. Our innovations help unlock the potential of global e-commerce by empowering merchants and platforms that previously could only address domestic consumption to expand into serving consumers globally.

E-commerce and Beyond

While our journey started in e-commerce, we have gone beyond that realm. With the increasing convergence of online and offline shopping, we have leveraged our e-commerce fulfillment capabilities and developed omni-channel solutions to serve merchants and brands as they look to sell both online and offline in China and globally. Our capabilities also extend beyond transactions within the Alibaba ecosystem to encompass order fulfillment for transactions through various other digital and offline channels. As the priorities of our customers' logistics demand expand beyond cost and speed, we are committed to staying ahead of these evolving demands and endeavor to provide eco-friendly logistics services for merchants and consumers engaged in all formats of commerce around the globe.

OUR INNOVATIVE SOLUTIONS

Leveraging our profound understanding of e-commerce, our smart global network and our technologies, we provide a wide array of innovative logistics solutions to primarily serve merchants and brands, e-commerce platforms and consumers in China and around the world.



OUR BUSINESS

International Logistics

We are the world’s No. 1 cross-border e-commerce logistics company in terms of parcel volume in 2022, with one of the world’s largest logistics networks in terms of geographic reach, according to CIC. In fiscal year 2023, our total cross-border parcel volume exceeded 1.5 billion, and we served over 100,000 merchants and brands.

We provide a comprehensive suite of cross-border express delivery solutions primarily for merchants, brands and e-commerce platforms selling goods from and into China. Our solutions include a range of premium, standard and economy options, designed to meet customers’ different needs for shipping time, cost, destination and any special handling requirements. We also provide one-stop global supply chain solutions that enable efficient global inventory deployment and order fulfillment and empower brands and merchants to offer a close-to-local retail experience for consumers. Our solutions for cross-border logistics cover a wide spectrum of products, ranging from best-sellers to long-tail items, which expand the categories of products available for cross-border e-commerce. We also provide local express delivery and supply chain services in Hong Kong and select international markets, such as Spain, France and Poland, creating the foundation for future “global-to-global” e-commerce logistics.

Our unique combination of speed, cost, reliability and transparency has redefined the cross-border e-commerce logistics industry and sets us apart from our competitors:

Disruptive solutions. In the past, long shipping times, limited visibility and high costs were major hurdles for Chinese merchants to serve consumers in international markets. By combining our e-commerce insights, our technology and our global smart network, we first introduced our standard cross-border express delivery solution in 2017 to merchants on AliExpress, and upgraded it in 2020 to reduce the typical order-to-delivery time between China and major countries from 30 to 60 days to 10 days or less at only the price of a cup of coffee. These disruptive solutions make cross-border e-commerce a compelling alternative to local retail and led to an increase in our average daily parcel volume from approximately 0.7 million in the three months ended June 30, 2017 to approximately 4.8 million in the three months ended June 30, 2023. We continue to push the industry boundaries, and recently upgraded our premium cross-border express delivery solution to further reduce the order-to-delivery time between China and initially eight countries to five working days.

Global end-to-end. Our global end-to-end network enables us to offer integrated services across the cross-border logistics value chain, from pick-up to delivery. We control the critical nodes in our network, in particular e-Hubs and overseas warehouses, providing us a structural advantage in delivering superior speed, cost and reliability. Our turn-key solutions remove the burdens of managing different sets of service providers, making complex cross-border logistics a hassle-free experience for our customers.

Designed for cross-border e-commerce. We cater to the marketplace model of e-commerce platforms, such as AliExpress, Tmall Taobao World and Tmall Global, as well as the full consignment service model. Our adaptive service model is designed to evolve with the

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e-commerce industry and the changing business strategies of our customers and the platforms we work with. In addition, with deep e-commerce insights and innovative technology, we have developed our logistics network and designed our operational processes to handle the surges in e-commerce demand. We are applying these capabilities, originally honed in China, in international markets to empower our customers.

Technology empowered. Historically, cross-border e-commerce logistics has been unreliable, costly and time-consuming with limited visibility. We digitalize the global cross-border e-commerce logistics value chain and provide services that allow parcels to be fully traceable and visible to our customers and partners, resulting in high customer satisfaction and loyalty. Today, we are able to provide end-to-end visibility over parcel journeys from China to consumers in 179 countries and regions. We also deploy a series of optimization algorithms, automation and smart hardware in our operations, leading to cost reductions and improved efficiency.

China Logistics

In China, where express delivery services are highly developed and standardized, we focus on leveraging our deep e-commerce insights and technology capabilities to create innovative solutions. We offer brands and merchants a suite of end-to-end standardized supply chain solutions that can be applied on a massive scale across various industries, as well as certain vertical solutions to address the unique requirements of products that need special handling. We support brands and merchants for their sales through various e-commerce platforms operated by Alibaba Group, such as Taobao and Tmall, as well as a wide array of other e-commerce platforms, digital and offline channels, and we also serve Tmall Supermarket, a direct sales channel operated by Alibaba Group. We provide a premium express delivery service, *Cainiao Express*, with superior service quality tailored for e-commerce at low costs. Our premium express delivery service offers fast, reliable and time-definite services with a doorstep delivery pledge to a large, underserved market.

Our innovative solutions are built around the following features:

Deep e-commerce insights. The e-commerce industry in China, as the world's largest and most complex market, has a unique set of challenges, including massive number of SKUs, extreme volume surges from online shopping festivals, and substantial demand for reverse logistics. We have built differentiated logistics capabilities to serve these demand, and we continue to enhance our services and lead innovation in the industry. For example, for Tmall Supermarket, we manage over 60,000 SKUs across a wide array of product categories and enable them to provide an industry-leading consumer experience by offering increasingly faster order fulfillment, from initially next-day to next-morning delivery and now even half-day delivery in select key cities, contributing to increases in online sales. We also help Tmall Supermarket handle volume surges from promotional events, such as the 11.11 Global Shopping Festival and other shopping festivals.

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Expertise in verticals and reverse logistics. We offer a comprehensive suite of services tailored to the needs of various industries. Notably, we possess extensive vertical expertise in FMCG, and are recognized as the preferred logistics solution provider in China for many global FMCG companies. We leverage our core capabilities into new verticals and make more product categories, including furniture and home appliances, more accessible for e-commerce. In addition, we have transformed reverse logistics from being costly and tedious into a seamless, hassle-free process by pioneering product features, such as two-hour doorstep pick-up, instant refund upon parcel dispatch and real-time status tracking. Today, we are the largest reverse logistics solution provider in China in terms of total parcel returns processed in the three months ended June 30, 2023, according to CIC.

Beyond e-commerce. We offer innovative, omni-channel supply chain solutions for brands and merchants within and beyond the Alibaba ecosystem. We manage the complexity of coordinating logistics across channels, allowing brands and merchants to maintain a single set of inventory, strategically allocated and digitally tracked for order fulfillment across online and offline channels. These services allow us to gain wallet share and enhance operations. For example, in fiscal year 2023, we managed more than 100,000 average daily orders for a leading FMCG company’s omni-channel supply chain, and enabled it to handle as high as a hundredfold surge in order volume in certain warehouses during major shopping festivals. We further expanded our business to serve other industries beyond traditional e-commerce, such as automotive, new energy and other industrial manufacturers.

Chinese merchants, global markets. As a part of the Alibaba ecosystem, we have access to the world’s largest pool of merchants. As these merchants expand their businesses in China and globally, we leverage shared e-commerce insights, network and technology to offer integrated services that deliver quality, consistency, and value to our customers.

Technology and Other Services

Cainiao Post solution (菜鳥驛站). Through *Cainiao Post*, we enable the first and largest digital “pick-up, drop-off” network in China and developed it into the largest of its kind in the world, according to CIC, both in terms of the number of “pick-up, drop-off” stations as of December 31, 2022 and the number of parcels processed in 2022. This digital “pick-up, drop-off” network serves as an alternative option to doorstep delivery and tackles the challenges in last-mile delivery. We equip these third-party operated “pick-up, drop-off” stations with smart hardware, advanced technology systems and uniform service standards to streamline their operations and enhance the overall consumer experience. *Cainiao Post* processed more than 80 million parcels per day on average in the three months ended June 30, 2023, and connected over 170,000 “pick-up, drop-off” stations as of June 30, 2023.

Cainiao App. *Cainiao App* is the most widely used logistics app in the world in terms of average MAUs in 2022, according to CIC. *Cainiao App* had over 60 million average MAUs in fiscal year 2023. It allows consumers to check the real-time status of parcels transported by express delivery companies, and retrieve and send parcels from any “pick-up, drop-off” station enabled by *Cainiao Post*. *Cainiao App* also provides consumers with a smooth product return

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experience by enabling return order initiation, doorstep pick-up request and status tracking through a few simple taps in the app. Our app encourages more online purchases by consumers who can enjoy return policies similar to those at offline stores. Cainiao App provides convenient, easy-to-access services to consumers, and it also gives us wider consumer reach and additional monetization opportunities.

Logistics technology. We develop state-of-the-art technologies not only to serve as the backbone for our smart logistics capabilities, but also to commercialize them as innovative products for our customers. We offer a suite of practical and cost-effective logistics technology solutions, encompassing automation, digital supply chain and smart hardware solutions. For example, our large-scale automation solutions help brands build smart warehouses equipped with high-density storage and retrieval systems, robotics and IoT devices to improve warehouse capacity, productivity, flexibility and efficiency. Our digital supply chain solutions help our customers forecast product demand and optimize routing and other processes.

Logistics asset services. We develop logistics facilities primarily for our own use and lease unused portions to brands and merchants to improve our asset utilization and deepen customer relationships. We also provide full-chain asset management solutions for such logistics facilities and for facilities owned by third parties.

OUR SMART LOGISTICS NETWORK

Our global end-to-end logistics network is purpose-built for global e-commerce and born out of our technology DNA. Our smart logistics network has the following distinct advantages:

E-commerce native. We have designed and built our smart logistics network to support the growth of e-commerce in China and globally. Our deep understanding of the e-commerce industry has enabled us to build a logistics network native to the global e-commerce industry to meet various needs of sellers and buyers.

For example, our two e-Hubs are positioned right next to runways at high-traffic airports with multi-modal capabilities to enhance connectivity to major markets globally, and combine cargo terminal, customs clearance and sorting functions. This integrated set-up efficiently facilitates the fast and smooth movement of e-commerce parcels, significantly reducing transit times and costs. Our smart warehouses and automated sorting centers are designed and configured to handle extensive SKU ranges, demand surges and time sensitivity that are typical of e-commerce. Additionally, the extensive digital "pick-up, drop-off" network enabled by *Cainiao Post* tackles the challenges in the last-mile delivery process for e-commerce and offers consumers convenient options. By seamlessly integrating these components, our e-commerce native network plays an important role in removing logistics hurdles and unlocking opportunities worldwide.

Global reach and density. Through the critical nodes controlled by us and collaboration with our logistics partners, we have built one of the largest logistics networks in the world in terms of geographic reach, according to CIC, with significant density both in China and globally. Such scale and density enable us to effectively increase shipping speed, reduce costs and support our customers' global logistics requirements.

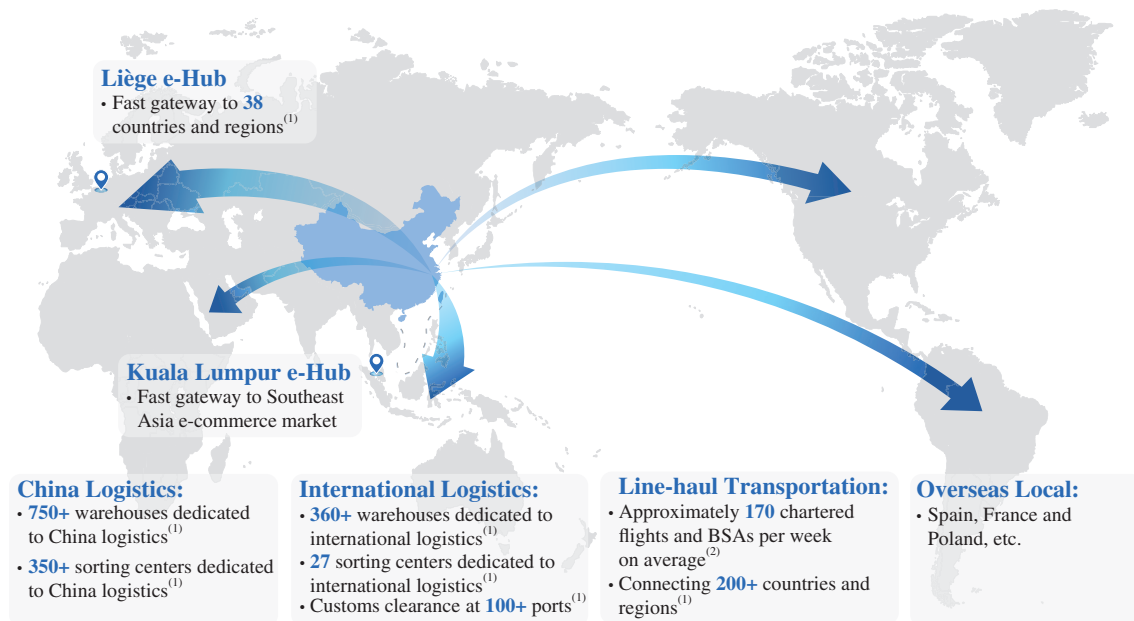
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As of June 30, 2023, our global network spanned across over 200 countries and regions, encompassing two e-Hubs with an aggregate gross floor area of more than 150,000 square meters, over 1,100 warehouses with an aggregate gross floor area of approximately 16.5 million square meters and over 380 sorting centers. They were linked by approximately 170 chartered flights and BSAs per week on average between China and key overseas destinations in June 2023 and over 2,700 line-haul trucking routes globally as of June 30, 2023, and connected to a large last-mile network consisting of over 4,400 delivery stations and over 170,000 “pick-up, drop-off” stations as of June 30, 2023.

Control with capital efficiency. We endeavor to control all critical nodes in our network while optimizing capital utilization. Our control over the critical nodes across our network gives us a structural advantage in delivering superior cost, speed and service reliability.

We utilize various financing arrangements to improve our capital utilization and secure external funding for our continued network expansion. For example, we set up investment vehicles for co-investments in critical logistics properties, such as warehouses, by third-party funding sources and us, which enable us to maintain full control over these properties while significantly reducing our capital expenditure. We are also exploring asset securitization opportunities and plan to spin off certain of our logistics properties in the form of investment trusts or REITs.

The following map sets forth the key components of our smart logistics network.



Notes:

- (1) As of June 30, 2023.
(2) In June 2023.

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OUR TECHNOLOGY CAPABILITIES

Technology is key to our success in driving efficiency, enhancing customer experiences and fostering innovation. Through integrating AI, automation and IoT, our technology stack helps unlock the potential of data, resources and people across our end-to-end global logistics network. We develop cost-effective, practical technologies that are “just right” for tackling real-life logistics problems, with rapid iterations to address the complex and evolving needs of e-commerce. We have assembled a world-class, dedicated research and development team, with specialized expertise across key technology domains.

Artificial intelligence. We embrace AI technologies to optimize a broad range of capabilities. Our AI engines are trained on the vast amount of information passed through our fully digitalized, integrated logistics value chain. Our AI capabilities help reduce costs and optimize operations, such as by increasing sorting accuracy, improving inventory management and optimizing route planning and vehicle dispatching. For example, our AI optimization engine incorporates live logistics data to make more accurate decisions in real time, often within 10 milliseconds, which enables online decision-making for each order at key steps in the cross-border logistics chain, as compared to traditional offline optimization approaches that rely on historical data that is updated only daily or weekly. Furthermore, our smart packaging algorithm optimizes the selection and packing flow of boxes to reduce cost and address the problem of excess packaging.

Smart hardware. Our operational infrastructure integrates a wide array of proprietary smart hardware technologies, which is a key differentiator from our competitors. These include RFID and smart IoT devices, which help us digitalize the end-to-end logistics value chain at low cost, from inventories, parcels, fixed assets and personnel to third-party service providers. This pervasive digitalization allows us to provide real-time transparency of our operations and ensure premium service quality and competitive pricing options. In addition, we develop and deploy leading automation and autonomous technologies, including AGVs and *Xiaomanlv* (小蠻驢), our electric unmanned delivery vehicle. These innovations play a pivotal role in improving accuracy, efficiency and cost-effectiveness across key logistics functions.

Software applications. We develop software applications to enable innovative capabilities across our network and for our customers. Designed to be version-less and cloud-native, our applications allow for agile iterations that facilitate continuous improvement and ensure adaptability to evolving business needs. Our integrated supply chain suite enables intelligent data-driven decision making, such as demand forecasting and planning, and helps us effectively manage orders from numerous merchants offering large numbers of SKUs in China and globally. We also offer various mobile apps for enhanced convenience and visibility, such as Cainiao App, to facilitate parcel deliveries and returns, and to check the status of parcel deliveries by carriers in China.

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OUR FINANCIAL HIGHLIGHTS

We have achieved rapid growth during the Track Record Period. Our total revenue was RMB52,733 million, RMB66,867 million and RMB77,800 million in fiscal years 2021, 2022 and 2023, respectively, representing a CAGR of 21%. Our total revenue grew by 34% from RMB17,336 million in the three months ended June 30, 2022 to RMB23,164 million for the same period in 2023. We recorded net losses of RMB2,015 million, RMB2,286 million, RMB2,801 million and RMB370 million in fiscal years 2021, 2022 and 2023 and the three months ended June 30, 2022, respectively, and a net profit of RMB288 million for the three months ended June 30, 2023.

We recorded non-IFRS adjusted net losses of RMB829 million and RMB1,030 million in fiscal years 2021 and 2022, respectively, and non-IFRS adjusted net profit of RMB279 million and RMB1,093 million in fiscal year 2023 and the three months ended June 30, 2023, respectively. Our non-IFRS adjusted EBITDA amounted to RMB1,036 million, RMB1,155 million, RMB2,873 million, RMB634 million and RMB1,807 million in fiscal years 2021, 2022 and 2023 and the three months ended June 30, 2022 and 2023, respectively.

OUR STRENGTHS

We believe the following strengths position us to capitalize on opportunities in the global e-commerce logistics industry and are differentiating factors from our peers.

Leading E-commerce Logistics Services Provider

We are a world-leading provider of logistics services for the e-commerce industry, offering international and China logistics services. In each of our businesses, we are a leader, according to CIC:

International logistics:

- We are the No. 1 cross-border e-commerce logistics company globally in terms of parcel volume in 2022, supported by our No. 1 positions in both China outbound and China inbound e-commerce logistics.
- We operate the largest network of warehouses for cross-border e-commerce in terms of gross floor area as of June 30, 2023, with an aggregate gross floor area of approximately 3.0 million square meters.

China logistics:

- We are a top 3 premium e-commerce logistics company in China in terms of revenue in 2022.
- We are the largest reverse logistics solution provider in China in terms of total parcel returns processed in the three months ended June 30, 2023.

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Technology and other services:

- Through *Cainiao Post* solution, we have enabled the largest digital “pick-up, drop-off” network in the world, both in terms of the number of “pick-up, drop-off” stations as of December 31, 2022 and the number of parcels processed in 2022.
- We operate the largest logistics app globally in terms of the number of average MAUs in 2022.

Continuous Innovation Enabled by Global End-to-end Network and Leading Technologies

Since our founding in 2013, we have been working to make it easy to do business anywhere through relentless innovations across the logistics value chain, which are enabled by our smart global network and AI-powered technologies.

- We are the first company in China that successfully introduced a standardized e-waybill system that is open to all express delivery companies and merchants, according to CIC. The launch of our standardized e-waybill system revolutionized the sharing of shipping information among logistics partners, merchants and consumers.
- As we expanded into cross-border logistics services, we have introduced disruptive combinations of fast shipping, high service quality and competitive prices to an increasing number of countries and regions outside of China.
- Through *Cainiao Post*, we enabled China’s first digital “pick-up, drop-off” network, according to CIC, which transformed the point-to-point delivery model of express delivery companies, resulting in significantly greater scalability and operating efficiency for China’s express delivery industry.
- To address the unmet needs of consumers for reliable product return shipping services, we were the first company in China to introduce innovative reverse logistics services that offer convenient and hassle-free product return experiences with full visibility over the entire process, according to CIC.
- We have successfully replicated our capabilities and innovative services developed within China in select international markets, such as our smart locker solutions in Poland through partnership with DHL.

Our smart logistics network, with state-of-the-art technologies, enables us to create innovative solutions and address complex challenges in the global e-commerce logistics industry. Our logistics network is highly scalable, designed for massive volumes, global reach, and superior cost-efficiency and high service quality. We have integrated many different capabilities and value-added services into a single network, enabling us to provide end-to-end logistics services. The massive volume of goods flowing through our network to destinations

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around the world and our comprehensive service offerings allow us to gain actionable insights and accumulate extensive know-how in the global e-commerce logistics industry. We also actively expand the application of the latest technologies to all aspects of our operations. We have built a comprehensive AI-powered technology stack, from digitalizing all aspects of the logistics value chain to applying intelligence at every step, making the logistics value chain more transparent, efficient and cost-effective. For example, our decision-making engine holds 36 world records in vehicle scheduling. We believe our smart logistics network and technology capabilities will support our continuous innovation efforts in the future.

Synergistic Relationship with Alibaba and Deep Relationships with Customers

We have fostered a synergistic relationship with the Alibaba ecosystem, the world's largest e-commerce ecosystem, to understand and serve the most comprehensive and complex needs of consumers and merchants in China and globally. This has allowed us to accumulate extensive insights and know-how that are deeply rooted in e-commerce. We have applied this deep understanding of e-commerce and expanded our businesses within the Alibaba ecosystem by creating value for merchants and consumers through the commercialization of new service lines, categories and other capabilities. We focus on the underserved and previously difficult-to-fulfill logistics needs of buyers and sellers, developing innovative solutions to address them. We have crafted innovative services tailored to fulfill the complex logistics requirements for merchants on Alibaba Group's e-commerce platforms, including AliExpress, Taobao, Tmall, Tmall Global and Tmall Taobao World, and have thereby supported Alibaba Group as the largest retail commerce business in the world in terms of GMV in fiscal year 2023, according to CIC.

We have built broad and deep relationships with our customers and become a strategic partner to many leading brands, especially in the FMCG sector. For example, we have expanded our services to leading brands from China express delivery services for their flagship stores on various e-commerce platforms to provide end-to-end China domestic and cross-border supply chain solutions, both within and outside of the Alibaba ecosystem, and also cater to offline channels. Our services for brands extend further to outfitting warehouses with smart IoT and automation technologies and promoting green logistics and sustainability efforts, such as the carbon footprint management system and low-carbon transportation options we offer. Deeper collaboration with customers gives us opportunities to gain wallet share and enhance operational synergies.

Commitment to ESG

We are firmly committed to ESG and believe these principles enable us to create business and social values in a forward-looking, sustainable manner. We have undertaken a materiality assessment for and prioritized our ESG efforts around five focus areas, namely green logistics, customer experience, community service, emergency logistics and high-quality employment, which we believe have a high positive impact on the environment and society at large. Our ESG initiatives are deeply embedded in our operations and every part of the logistics value chain, from order generation, warehousing, packaging and delivery to recycling.

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In particular, we place great emphasis on addressing climate challenges and promoting green logistics. We were one of the first companies in China’s logistics industry to launch a green initiative in 2016 to promote sustainable packaging and recycling, according to CIC. We have also established clear GHG emissions reduction targets, including (i) net-zero GHG emissions by 2050 and (ii) carbon neutrality in our own operations and reduction of Scope 3 carbon intensity by 50% by 2030 (from the base year of 2021). Since our inception, we have been collaborating with partners to promote the green transformation of the logistics value chain, including developing e-waybills, smart packaging algorithms, smart dispatching, environmentally friendly boxes, recycling campaigns, energy-efficient vehicles, solar-powered logistics parks and more. We believe such innovative green solutions not only help reduce the carbon footprints of ourselves, our customers and logistics partners, but also meet consumers’ expectations for eco-friendliness and create business value. For example, major brands, such as *Nestlé*, have adopted our green technology to obtain visibility on their carbon footprints across the entire finished goods logistics value chain, and we are commercializing this as a subscription service.

Strong Culture, Visionary Management and Motivated Employees

We set ourselves apart in the logistics industry by virtue of our strong and distinctive corporate culture, encompassing Cainiao Four Genes (菜鳥四勁) - long-term commitment (使命驅動的韌勁), relentless execution (迎難而上的狠勁), strive for excellence (精益求精的幹勁) and customer-oriented innovation (基於客戶價值創新突破的巧勁). Our culture creates the foundation to inspire our team to always strive for innovative business strategies and cutting-edge technologies. This culture is a meaningful contributor to attracting and retaining highly qualified personnel, forming the backbone of our success.

Our corporate tenet, “stay true to the founding mission, aim higher for a better Cainiao” (秉持菜鳥之心, 超越鴻鵠之志), emphasizes the importance of staying humble while aiming for grand aspirations. With this approach, we dedicate ourselves to creating tailored, customer-centric solutions that not only tackle today’s challenges but also anticipate future obstacles.

We have a visionary management team with rich experience in the logistics and technology industries. Led by our CEO, Mr. Wan, who is a 20-year veteran in the e-commerce and global logistics industries, we believe we have a world-class management team that combines technological savviness with logistics operating know-how, driven by a strong sense of mission to delivering the best customer experience.

We recruit and incentivize employees who are self-motivated and share our sense of mission. We invest in training programs that are tailored to the roles of our employees, and seek to identify and promote leaders who exhibit a combination of strategic vision and operating excellence, thereby creating a deep talent pool to support our future growth.

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OUR STRATEGIES

We will continue to innovate, improve operating efficiency and expand our network to support global e-commerce.

Grow Our International Business

We believe cross-border e-commerce is poised for significant growth. We will seek to leverage this opportunity by further strengthening our network coverage and developing new services for cross-border and local e-commerce logistics services.

Grow with AliExpress. We plan to leverage our position as the principal logistics service provider for AliExpress and continue to develop new solutions to support its *Choice* service to further grow our business volume.

Expand coverage of our premium cross-border delivery service. We believe increased delivery speed at reduced cost will underpin further growth in cross-border e-commerce, and lead to sustainable growth in our cross-border business. We endeavor to expand the coverage of our premium cross-border delivery service to all major international markets.

Strengthen network coverage. We will seek to strengthen key nodes in and extend the coverage of our smart logistics network, including through (i) expanding physical infrastructure through both self-development and external partnerships, encompassing e-Hubs, overseas warehouses and sorting centers in major markets, such as Europe and Latin America, (ii) increasing the density and frequency of our cross-border line-haul routes via enhanced strategic partnerships and (iii) building local delivery operations in select international markets.

Develop new services and attract new customers. We intend to continue to develop new cross-border express delivery and supply chain services and to serve more customers within and beyond the Alibaba ecosystem, such as offering direct-to-consumer supply chain solutions for manufacturers. Leveraging our expanding global network of assets and capabilities, we also plan to develop more local-to-local and global-to-global logistics services.

Grow Our China Business

We believe there is a large and growing opportunity to provide innovative supply chain and express delivery services to merchants, brands and consumers in China, and that we are well positioned to grow our China logistics business.

Continue to deepen our synergistic relationship with Alibaba. We will seek to increase the availability and adoption of our services in more transactional scenarios on the domestic e-commerce platforms operated by Alibaba Group. We also plan to offer more specialty solutions tailored to more product categories on Alibaba Group's e-commerce platforms.

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Grow with our customers. As our customers grow in size, complexity and geographic reach in China, we plan to expand our services both in scope and depth to meet their evolving logistics needs. For example, we will seek to expand our omni-channel supply chain solutions for FMCG companies and other brands. We believe our comprehensive suite of innovative logistics services will enable merchants and brands, e-commerce platforms and manufacturers to better serve their customers and to expand into new industries, which in turn will propel the growth of our business.

Develop new services and expand our customer base. We intend to develop and commercialize additional innovative services, creating new opportunities for merchants to offer more value to consumers. For example, we plan to enhance our direct-to-consumer service capability tailored for manufacturers. Furthermore, we plan to continue expanding our customer base outside the Alibaba ecosystem to other e-commerce platforms and sales channels. For example, we intend to offer our *Cainiao Express* premium express delivery services to more merchants and consumers in China.

Extend Our Technology Leadership

We plan to continue to develop new technologies and will seek to extend our technology leadership to empower service offerings and enhance our logistics network, thereby making logistics more efficient.

We will seek to enhance and expand our technology capabilities. We plan to invest more in technology infrastructure, including expanding RFID technology to more logistics services. We also plan to continue digitalizing the logistics value chain to address unmet logistics needs and design products that allow us to capitalize on these new opportunities. Furthermore, we intend to invest in AI technologies and enhance our applications to enable higher quality, speed and efficiency in our service offerings. We will also seek to increase the licensing and sales of our technology and logistics systems to third parties to further promote the commercialization of our technologies.

Increase Our Cost Efficiency

We aim to enhance the efficiency of our operations through economies of scale and technology upgrades. We plan to continue to strengthen our smart logistics network, including through the addition of warehouses and sorting centers at key logistics nodes and expansion of our last-mile network, to further improve our operating efficiency. We believe that our strengthened network capabilities will help us enhance the variety and quality of our services at low costs. We will also seek to leverage digitalization to further integrate assets across our logistics networks and improve operating efficiency. We believe the scalability and increased density of our smart logistics network will enable us to reduce our unit costs.

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Explore Strategic Partnerships, Investments and Acquisitions

In the past, we have made strategic investments in logistics companies as part of our long-term growth strategies. We plan to continue to selectively pursue strategic partnerships, investments, and acquisitions both in China and globally that would accelerate the build-out of our global network, enhance our technology and improve our capabilities to better serve our customers and broaden our service offering to solidify our market leadership.

OUR SERVICE OFFERINGS

Drawing on our deep e-commerce insights and technological capabilities, we provide an array of innovative logistics services and solutions to a wide spectrum of customers in China and around the world, including merchants and brands, e-commerce platforms, consumers and logistics companies. The following chart presents our main service offerings and types of customers we serve.



International Logistics

Our international logistics business offers three main services: cross-border express delivery, global supply chain and overseas local logistics services, all specifically designed to tackle and overcome the logistics hurdles associated with cross-border e-commerce.

Historically, international logistics have been challenging, costly and time-consuming with limited visibility, particularly within the e-commerce industry. The complex nature of international logistics involves a long value chain with multiple steps, including pick-up and sorting in origin countries, transit and consolidation warehousing, international freight, customs clearance, warehousing, sorting and last-mile local delivery in destination countries,

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which requires coordination with multiple service providers and fragmented service components. Our goal is to make global e-commerce more accessible and efficient, empowering businesses of all sizes to reach new markets and consumers worldwide. As we provide customers with a unique combination of shipping speed, service quality and cost-effectiveness, we help accelerate the growth in global e-commerce and believe there are significant opportunities to further grow our international logistics business.

In fiscal years 2021, 2022 and 2023, the parcel volume of our international logistics business amounted to 1,381 million, 1,679 million and 1,519 million, respectively. The parcel volume of our international logistics business increased from 347 million in the three months ended June 30, 2022 to 439 million in the three months ended June 30, 2023. See “Financial Information — Period-to-period Comparison of Results of Operations.”

Cross-Border Express Delivery

Our Solutions

We offer end-to-end cross-border express delivery services, with a primary focus on China-to-global shipments, and to a lesser extent, global-to-China deliveries. We are the world’s No. 1 cross-border e-commerce logistics company in terms of parcel volume in 2022, according to CIC.

We provide a comprehensive suite of cross-border express delivery solutions as set forth in the table below. For premium and standard delivery services, we also offer full visibility over the parcel journey and a variety of value-added services, such as enhanced loss or damage protection for high-value items and return shipping for undeliverable overseas parcels.

<u>Services</u>	<u>Order-to-delivery time</u>	<u>Destinations</u>
Premium delivery	Generally 5 to 10 calendar days	Eight countries and regions, such as the United States, France and Spain
Standard delivery	Generally 10 to 18 calendar days	179 countries and regions, such as Brazil, the United States, France, South Korea, Israel and Mexico
Economy delivery	Generally 20 to 45 calendar days	More than 200 countries and regions worldwide

Drawing on our extensive e-commerce insights and our global end-to-end logistics network, we provide superior cross-border express delivery services in the following aspects:

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Speed. Our standard delivery service, initially launched in 2017 for merchants on AliExpress and upgraded in 2020, elevated the service levels for cross-border deliveries by reducing the typical order-to-delivery time between China and major overseas destinations to just around 10 days from the typical 30 to 60 days. We recently enhanced our premium delivery service, further cutting the order-to-delivery time between China and select overseas destinations to five working days. We continuously innovate to improve shipping speed, with a vision of achieving 72-hour delivery anywhere in the world.

Cost-effectiveness. We deliver globally for the price of a cup of coffee, meeting the requirement of cost-effectiveness for e-commerce. By offering affordable and accessible shipping options, we help remove the entry barriers for cross-border e-commerce and expand the product categories and destinations that are economically viable for cross-border e-commerce transactions. In general, we have achieved five-day global delivery for approximately US\$10, 10-day global delivery for approximately US\$5 and 20-day global delivery for approximately US\$2.

Ability to handle complex e-commerce needs. Cross-border e-commerce is characterized by an array of complex features, such as geographically dispersed sellers and buyers, extensive SKU ranges, rapid product iterations, seasonal surges in sales and time-sensitive delivery promises. We help customers successfully navigate these complexities with our global end-to-end network and control of critical nodes, advanced technology capabilities, such as full chain digitalization, automation and smart algorithms, as well as our deep operational expertise.

Tiered services. We offer a range of tiered services, drawing upon our cross-border service capabilities that enable various combinations of resources, routes, line-haul transportation modes and last-mile delivery methods. This flexibility enables our customers to choose what best fits their business needs.

Adaptive service model. Our service model is highly flexible and adaptable, allowing us to cater to both the marketplace model of e-commerce platforms and the full consignment service model. We are able to accommodate the evolving business strategies of our customers and provide the right logistics support that align with their specific needs.

Customers We Serve

We mainly serve merchants on various e-commerce platforms operated by Alibaba Group, including AliExpress, Tmall Global and Tmall Taobao World, as well as a variety of e-commerce platforms and online channels beyond the Alibaba ecosystem. We also support *Choice* by AliExpress, and the direct sales businesses of other select e-commerce platforms. We have achieved significant scale in terms of volume of parcels entrusted to us. In fiscal year 2023, we delivered over 1.5 billion cross-border e-commerce parcels to over 133 million consumers across over 200 countries and regions.

OUR BUSINESS

AliExpress

We launched our cross-border express delivery services in 2014 to serve the merchants on AliExpress, a global retail marketplace operated by Alibaba Group that enables global consumers to buy directly from manufacturers and distributors in China and around the world. Through AliExpress, a large and growing number of merchants, including those that had previously only focused on the domestic market in China, are increasingly seeking to broaden their global reach. Recognizing the unique requirements of these cross-border merchants, we crafted our solutions accordingly to achieve faster shipping speed, higher service quality and more cost savings to facilitate their cross-border sales. Our solutions have not only helped merchants deliver parcels to overseas consumers more efficiently, but also bolstered their competitiveness by enabling more rapid SKU iteration and lowering fulfillment costs. During the Track Record Period, our cross-border express delivery services expanded along with these cross-border merchants and have become a major driver for our growth.

AliExpress launched a new service, *Choice*, to offer improved service standard and enhanced customer experience. Global consumers are offered a curated selection of great value products across an extensive range of categories and may enjoy free shipping, free returns and quality delivery guarantees in selected countries when placing orders on *Choice*. To support *Choice*, we upgraded our global smart logistics network and end-to-end capabilities and leverage chartered flights and utilize overseas warehouses to improve direct shipping capabilities and enable merchants to achieve full-scale global logistics management with worldwide shipping. These network capabilities enable us to support a variety of innovative business models, including full consignment service model. In addition, we utilize algorithm-driven techniques, such as “just-in-time” shipping to warehouse, trans-warehouse order consolidation and wave processing, to further reduce delivery time and ensure comparable delivery speed during times of peak demand.

Other Alibaba e-commerce platforms

We serve the cross-border logistics needs of other platforms within the Alibaba ecosystem. For example, for Tmall Taobao World, a program that allows overseas Chinese consumers to buy on the Taobao platform, we provide cross-border express delivery services primarily to overseas consumers who seek high-quality goods manufactured in China, such as consumer electronics and fashion apparel. Overseas merchants and brands on Tmall Global, a leading global-to-China import e-commerce platform, as well as Tmall Global’s direct sales business also use our cross-border express delivery services for some of their imports of high-quality consumer goods into China.

Other e-commerce platforms and online channels

As our customers increasingly adopt a multi-platform expansion strategy, we have grown our services to serve merchants and brands active on other reputable international e-commerce platforms and online channels outside of the Alibaba ecosystem, such as *Kuaishou*. We started providing cross-border express delivery services to merchants on other e-commerce platforms and online channels in 2021. We intend to continue increasing our market penetration on such platforms to support our future growth.

OUR BUSINESS

Global Supply Chain

We provide one-stop, differentiated global supply chain solutions to enable global inventory management and order fulfillment. We serve Chinese brands and merchants seeking to reach global markets, such as *Midea*, as well as global brands and merchants expanding their presence in China, such as *Swisse*. We provide global supply chain services to customers across a wide range of industries, such as FMCG, consumer electronics, healthcare and automobiles.

China-to-Global

We provide China-to-global supply chain services primarily to Chinese manufacturers, brands and merchants, to facilitate the sale of various high-quality products manufactured in China, such as apparel, home appliances, furniture, consumer electronics, automotive and industrial products, to key international markets. We offer end-to-end solutions that cover all aspects of the supply chain, encompassing first-mile pick-up in China, deliver-to-port transportation, international line-haul transportation (including ocean and air freight), customs clearances, overseas warehousing and last-mile deliveries. Based on customer demand, we offer certain segments of our supply chain services on a standalone basis.

We help Chinese manufacturers, brands and merchants export goods in bulk to over 40 overseas warehouses managed by us mainly across Europe, North America, Latin America and Asia, which are positioned near key logistics hubs and in proximity to target end consumers globally. Once an overseas consumer places an order, we arrange for shipping from an overseas warehouse to the consumer's doorstep with faster speed, lower costs and higher reliability. Our turn-key solutions are designed to simplify the complexities of cross-border supply chain. By consolidating multiple service providers and managing diverse process interfaces, we remove the burdens typically associated with navigating through cross-border supply chains, and enable our customers to enjoy a hassle-free experience when expanding their businesses globally.

We have key strengths in offering supply chain solutions tailored to e-commerce. Leveraging our deep insights into e-commerce trends as a part of the Alibaba ecosystem, we help Chinese manufacturers and brands manage demand surges across various SKUs and fulfill orders for consumers around the world. As a China-based logistics company with global operations, we also differentiate our China-to-global supply chain services through our profound understanding of, and rapid response to, the evolving supply chain needs of Chinese e-commerce merchants and brands, as well as our ability to overcome cultural and communications obstacles.

Global-to-China

Our end-to-end global-to-China supply chain services cater to the needs of global merchants and brands seeking to sell goods in high demand by consumers in China, including FMCG, beauty, luxury goods, healthcare products and consumer electronics. Our solutions include country-of-origin first-mile pick-up, deliver-to-port, international line-haul (including

OUR BUSINESS

ocean and air freight), China bonded warehousing, customs clearance, and last-mile deliveries in China. Similar to our China-to-global solution, we are able to offer certain segments of our supply chain services on a standalone basis based on customer requests.

We help global merchants and brands access the large and growing Chinese retail market through importing goods in bulk to our bonded warehouses in China, which are secured facilities supervised by customs authorities where imported goods can be stored before they undergo customs clearance. We position our bonded warehouses near major ports and logistics hubs. Once a Chinese consumer places an order, we arrange for shipping to the consumer's doorstep with improved speed and reduced costs. We also provide a wide array of value-added services, such as authenticity guarantee and re-packaging and re-labeling to comply with local laws and regulations.

For brands with significant China import needs, we offer a specialized global-to-China supply chain solution utilizing our central bonded warehouses (中心倉), a type of large-scale bonded warehouses where merchants and brands keep a single set of inventory for omni-channel B2C order fulfillment across various e-commerce platforms, online stores and offline channels. Our central bonded warehouses help fulfill orders in an efficient and cost-effective manner, regardless of how and where consumers shop. Through central bonded warehouses, we also facilitate B2B trading and inventory sharing among distributors. Furthermore, we leverage international line-haul resources, customs clearance and last-mile capabilities to facilitate duty-free trade, such as in Hainan, China.

The success of our global supply chain services can be exemplified through our collaboration with *Swisse* as set out below.

Swisse: Making Global Health and Wellness Products Available for Chinese Consumers

We provide global supply chain solutions to *Swisse*, an Australia-based health and wellness company known for its diverse range of vitamin and supplement products tailored for all life stages. Our collaboration with *Swisse* began as it expanded its business in the rapidly growing Chinese market. Leveraging our cross-border network, we provide *Swisse* with efficient and cost-effective access to millions of Chinese consumers through bonded trade and omni-channel distribution in China. From overseas factories, we arrange for cross-border transportation of *Swisse* products in bulk to our bonded warehouses located at major ports in China, which facilitates shipping of products immediately after consumers place orders through Tmall Global. We also provide central bonded warehousing services, which enable *Swisse* to efficiently maintain one set of inventory for distribution and sale through various popular e-commerce platforms as well as offline stores, with its B2C sales reaching over 330 cities in China. The average daily order volume that we processed for *Swisse* increased by approximately 45% from the three months ended June 30, 2022 to the three months ended June 30, 2023, while the average order-to-delivery time was reduced by over 24%, significantly enhancing end consumer experience. As of June 30, 2023, *Swisse* has grown to be one of the largest health and wellness brands on Tmall Global as measured by GMV and order volume.

OUR BUSINESS

Overseas Local Logistics Services

We are successfully replicating capabilities and services developed for China in international markets. Our overseas local logistics services primarily include (i) overseas express delivery and (ii) overseas supply chain, with local capabilities encompassing warehousing, first-mile pick-up, sorting, regional line-haul transportation, last-mile deliveries and smart lockers.

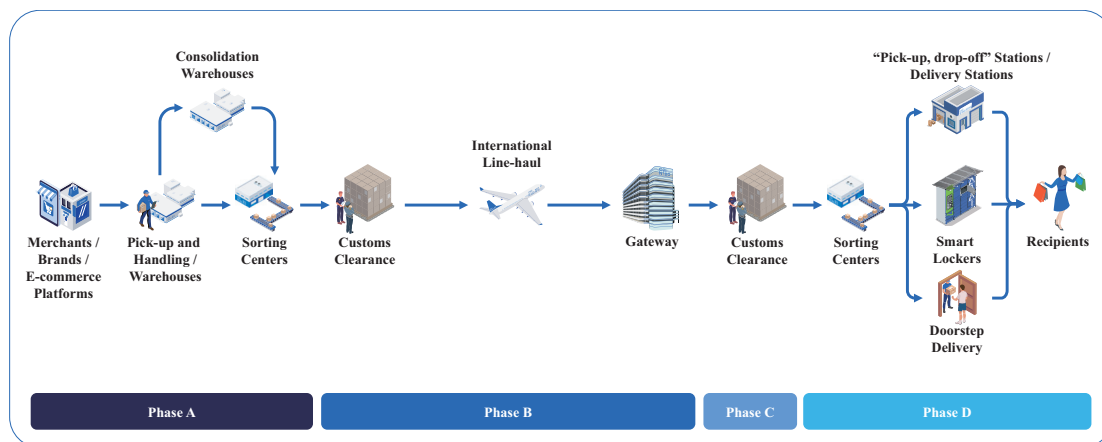
When expanding internationally, we focus on markets with large cross-border parcel volume and growth potential, coupled with unmet logistics needs. We mainly serve merchants and consumers in Hong Kong and select international markets, such as Spain, France and Poland. These local capabilities are integrated with our global network and support parcel flows in and out of Spain. We have also established a joint venture in Poland with DHL to provide smart locker solutions.

We believe these overseas local capabilities and services differentiate us from competitors by providing our customers with efficient access to consumers across key overseas markets and lay the foundation for future expansion of “global-to-global” e-commerce logistics.

Service Process

Depending on specific service types and customer needs, the service process may encompass first-mile pick-up, consolidation, sorting, customs clearance, line-haul, overseas warehouses, bonded warehouses, as well as last-mile delivery.

Cross-Border Express Delivery



Set forth below are the major phases and steps for our cross-border express delivery service:

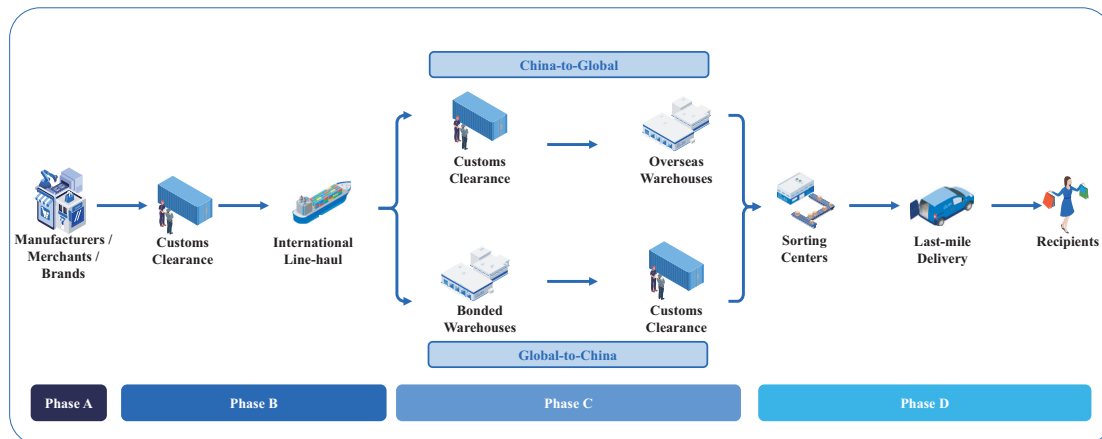
- *Phase A: country-of-origin first-mile pick-up, sorting and consolidation.* Our logistics partners’ delivery personnel collect parcels from a sender and send the parcels to the designated sorting centers. Upon receiving parcels, the respective

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sorting center sorts, packs and dispatches them to major ports to prepare for cross-border line-haul transportation. Parcels may also be sent to consolidation warehouses to be combined into a single shipment before entering sorting centers.

- *Phase B: cross-border line-haul transportation.* We collaborate with qualified logistics partners to arrange for country-of-origin customs clearance process and provide cross-border line-haul transportation via air, sea, road and rail routes.
- *Phase C: customs clearance.* For each parcel, we help facilitate the customs clearance process at the country-of-destination. After being customs-cleared, parcels are transported to sorting centers via regional line-haul.
- *Phase D: country-of-destination sorting, last-mile delivery and confirmation.* Country-of-destination sorting centers unload and sort the parcels in preparation for last-mile deliveries. Our or our logistics partners' local personnel then deliver parcels to locations designated by the recipients. Once the recipient confirms receipt, the service cycle is completed.

Global Supply Chain



Set forth below are the major phases and steps for our global supply chain service:

- *Phase A: country-of-origin pick-up and sorting.* Merchants, brands or platforms transport merchandise in bulk to our warehouses, either by themselves or request first-mile pick-up by us or our logistics partners. Upon receiving the merchandise, we first inspect them to ensure that the received items match the provided specifications and then ship them to major ports to prepare for cross-border line-haul transportation. Our customers can monitor their inventory throughout the entire process via the real-time tracking system.

OUR BUSINESS

- *Phase B: cross-border line-haul transportation.* We collaborate with qualified logistics partners to arrange for country-of-origin customs clearance process and provide cross-border line-haul transportation.
- *Phase C: country-of-destination warehousing and customs clearance.* After the merchandise reaches the ports in the country-of-destination, we ship them to bonded warehouses (for global-to-China supply chain) or overseas warehouses (for China-to-global supply chain) for inspection, storage and management, and facilitate the customs clearance process. Once consumers place orders, we pick and pack the orders in warehouses, and prepare them into small parcels for delivery.
- *Phase D: country-of-destination sorting, last-mile delivery and confirmation.* After parcels are customs cleared, we or our logistics partners’ local personnel then deliver parcels to delivery stations or smart lockers, or recipients’ doorsteps. Once the recipient confirms receipt, the service cycle is completed.

China Logistics

We are a leader in innovative supply chain and premium express delivery services in China. For our China logistics business, we focus on leveraging our unique e-commerce insights, network and technology to address unmet and evolving customer needs innovatively, efficiently and collaboratively. Through both self-development and external partnerships, we have built end-to-end, technology-enabled warehousing and distribution capabilities to support our comprehensive service offerings that encompass omni-channel supply chain and premium express delivery. We reached approximately 745 million consumers in China in fiscal year 2023 through our China logistics business. In fiscal years 2021, 2022 and 2023, the number of logistics orders fulfilled by our China logistics business amounted to 1,116 million, 1,462 million and 2,311 million, respectively. The number of logistics orders fulfilled by our China logistics business increased from 545 million in the three months ended June 30, 2022 to 736 million in the three months ended June 30, 2023. See “Financial Information — Period-to-period Comparison of Results of Operations.”

China Supply Chain

Our Solutions

We are a leading e-commerce supply chain solution provider in China in terms of revenue in 2022, according to CIC. We offer a series of standardized solutions that can be applied on a massive scale across various industries. Additionally, we provide vertical solutions to address the unique requirements of products that need special handling.

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Standardized supply chain solutions

Our standardized supply chain solutions comprehensively encompass (i) first-mile pick-up, transportation and product inspections, (ii) inventory storage, management and allocation, and (iii) order fulfillment and distribution, including in-warehouse processing, order picking, packing and consolidation, and delivery. Leveraging our e-commerce insights and advanced technologies, our innovative supply chain solutions help customers intelligently determine how much and where to keep inventories, improve efficiency across warehouse operations and achieve fast deliveries to consumers.

Our standardized solutions include two tiered options, namely, Premium (優選倉配) and Standard (智選倉配), featuring different warehousing and distribution capabilities and value-added services as set out in the table below.

Services	Key Service Features	Capabilities	Target Customers
Premium . . .	<ul style="list-style-type: none"> • Half-day and next-morning delivery • Doorstep delivery pledge • In-warehouse value-added services • Proactive order monitoring and enhanced consumer service support 	<ul style="list-style-type: none"> • Enhanced warehousing • <i>Cainiao Express</i> delivery 	Brands and merchants selling high-value products
Standard . . .	<ul style="list-style-type: none"> • As fast as next-day delivery • Extended order cut-off time • End-to-end order monitoring and customer service support 	<ul style="list-style-type: none"> • Regular warehousing • Qualified third-party express delivery 	Merchants selling relatively low-value products, or manufacturers located in industrial belts seeking nationwide sales

Our supply chain solutions are designed to address the unique set of logistics challenges faced by the e-commerce industry, such as extensive SKU ranges, high volume and significant surges due to promotions and marketing activities. We have built our supply chain solutions to help merchants and brands optimize the volume and location of inventories, manage demand fluctuations, and ensure timely and efficient delivery.

Our supply chain solutions enable merchants and brands to maintain a single set of inventory, strategically allocated and digitally tracked, for order fulfillment across online and offline channels. This omni-channel capability improves working capital utilization and enhances fulfillment efficiency. For online channels, we leverage our warehousing and distribution capabilities to achieve rapid and reliable fulfillment of orders placed across

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e-commerce platforms and online stores. For offline channels, we leverage our warehousing, intra-city delivery and line-haul capabilities to facilitate efficient and cost-effective delivery of goods from warehouses to brands’ physical stores and distributors’ warehouses.

Our supply chain solutions apply smart technologies to help small businesses restock and manage inventory more efficiently, enabling them to place and track B2B delivery orders via our Cainiao App. For merchants of all sizes, our solutions offer flexibility and efficiency in managing their supply chains.

Vertical supply chain solutions

We offer solutions for large and growing industry verticals, whose products require special handling, such as bulky and non-standard-sized items. Similar to our other businesses, we leverage our end-to-end network and AI-powered technologies to create innovative solutions to address unmet customer needs at scale and in cost-effective ways, which in turn facilitate the growth of such industry verticals.

For instance, we help merchants on Tmall enhance their order fulfillment capabilities for furniture and home appliances. In the past, online sales of such products were hampered by delivery delays, product damages and service quality. We have built an integrated delivery and installation network for furniture and home appliances that spans the entire logistics value chain, encompassing storage, home delivery, installation, repair, returns and recycling. As of June 30, 2023, our integrated bulky item logistics network included over 180 warehouses that meet special handling requirements across more than 120 cities in China. For the month of June 2023, our average first-time success rate for delivery and installation of furniture and home appliances reached 95%, setting a new industry benchmark. We believe we have contributed to an increase in online sales of these categories of products on Tmall and improved consumer satisfaction levels.

Customers We Serve

We support brands and merchants for their sales through various e-commerce platforms operated by Alibaba Group, such as Taobao and Tmall, and a wide array of other e-commerce platforms, digital and offline channels, and we also serve Tmall Supermarket, a direct sales channel operated by Alibaba Group. Our services cater to various industries, such as FMCG, consumer electronics and beauty products. Drawing from our e-commerce origins, we have developed particular strengths in the FMCG sector to facilitate our customers’ sales to China’s large and growing retail markets. As of June 30, 2023, we had established long-term business relationships with over half of the top 50 global FMCG companies. For example, we serve as a distribution partner for leading FMCG companies, such as *Unilever*, and support the direct sales of large FMCG retailers, such as Tmall Supermarket. We enable these customers to improve inventory turnover and fulfillment speed, leading to higher consumer satisfaction and increased sales. This contributes to the growth of our China supply chain business.

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Tmall Supermarket: Enabling an Industry-leading Consumer Experience

Through our over 90 warehouses dedicated to Tmall Supermarket as of June 30, 2023, we managed over 60,000 SKUs across a wide array of product types for Tmall Supermarket in over 300 cities in June 2023. Whether it is personal care or temperature-controlled fresh produce, we understand the diverse storage, handling and packaging requirements associated with different products and ensure each item is managed efficiently throughout the supply chain. To provide time-definite, reliable delivery options, we utilize our in-house *Cainiao Express* premium express delivery service and help Tmall Supermarket achieve same- or next-day delivery for close to 80% of its orders, and doorstep delivery for over 85% of its orders for the three months ended June 30, 2023. Furthermore, utilizing advanced technologies, such as IoT, automation and AI, we help Tmall Supermarket digitalize every stage of its supply chain and achieve enhanced visibility and control, from storage and in-warehousing processing to transportation and delivery. We continuously improve the operating efficiency of Tmall Supermarket's supply chain, ultimately contributing to faster fulfillment speed and enhanced consumer experience.

China Premium Express Delivery

Our China premium express delivery business mainly offers premium express delivery and reverse logistics services. Our growing delivery network, coupled with an innovative online platform, enables us to leverage both self-operated and third-party courier resources to provide high-quality, reliable and fast deliveries and acquire customers in a cost-effective manner.

Cainiao Express

We offer a premium express delivery service, *Cainiao Express*, with a unique combination of cost and service quality specifically tailored for e-commerce. Differentiated from the existing and standard express delivery services in China, our premium *Cainiao Express* solution offers fast, reliable, and time-definite services with a doorstep delivery pledge. We provide deliveries in as quickly as half a day in major urban areas, as well as next-morning, next-day and appointment-based deliveries across over 300 cities. Our services are designed to offer consumers a reliable, seamless experience with compelling features, including time-definite, doorstep delivery guarantee within scheduled time windows. For fiscal year 2023, *Cainiao Express* had the highest doorstep delivery rate among express delivery companies on the Taobao and Tmall platforms, according to CIC. By controlling critical nodes, including warehouses and sorting centers, and applying the latest logistics technologies, we are able to continuously improve workflows, integrate systems and upgrade services throughout the express delivery process, with the goal of improving experience for consumers and merchants.

OUR BUSINESS

Cainiao Express plays a crucial role in our China supply chain solutions by handling the last-mile delivery for our “Premium” China supply chain service, ensuring an exceptional delivery experience to meet the high standards expected by our “Premium” China supply chain service customers. In addition, *Cainiao Express* fulfills express delivery orders for external customers, including the reverse logistics orders through our *Cainiao Guoguo* platform (菜鳥裹裹).

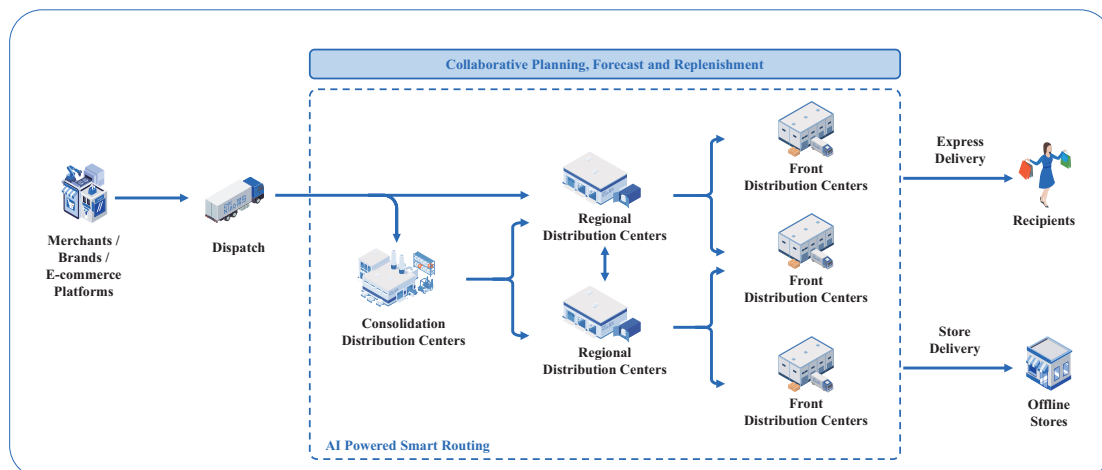
Cainiao Guoguo

We provide industry-leading reverse logistics services through our *Cainiao Guoguo* platform, facilitating hassle-free returns for consumers across e-commerce platforms and logistics providers. Our reverse logistics solution encompasses the full product return journey, including appointment-based pick-up, packaging inspection, transportation and delivery. We offer a smooth and digital experience for consumers, where they can easily initiate return orders, request doorstep pick-ups and track the status of their returns in real-time with just a few taps in our Cainiao App. As early as in 2016, we introduced a series of elevated service standards for reverse logistics, such as two-hour doorstep pick-up, instant refund upon parcel dispatch and full visibility over the parcel journey. These features have since then become the industry standard in China for hassle-free product return shipping. As our reverse logistics solution gains popularity among consumers, we leverage the same capabilities to offer convenient, rapid and reliable express delivery services to consumers and small businesses through the *Cainiao Guoguo* platform.

As we expanded operational capabilities, we have transformed *Cainiao Guoguo* from a pure crowd-sourced platform that matches consumer requests for product return and regular express deliveries with a network of express delivery companies’ couriers, into a hybrid service solution that combines the wide consumer reach of the platform and the resources of various express delivery companies, with our self-operated *Cainiao Express* premium delivery capabilities, to further enhance consumer experience.

Service Process

China Supply Chain

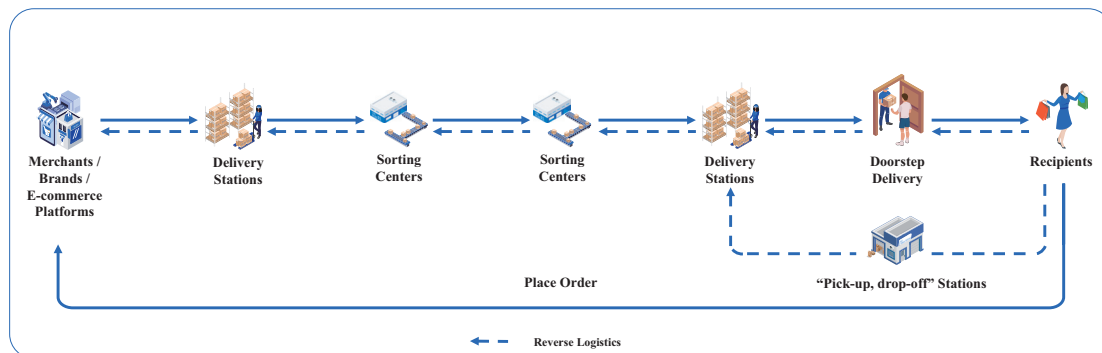


OUR BUSINESS

Set forth below are the major phases and steps for our China supply chain service:

- *First-mile pick-up and warehousing.* Merchants transport merchandise in bulk to our warehouses, either by themselves or request first-mile pick-up by us or our logistics partners. Upon receiving the merchandise, we first inspect them to ensure that the received items match the provided specifications. Based on demand forecasts, we may further allocate such merchandise across our warehouse network that encompasses consolidation, regional and front distribution centers. Our customers can monitor their inventory throughout the entire process via a real-time tracking system.
- *Order picking and packing.* Once consumers place orders, we pick and pack the orders in warehouses and prepare them into small parcels for shipment.
- *Order delivery.* We or our logistics partners' local personnel deliver parcels to "pick-up, drop-off" stations or smart lockers, or to consumers' doorsteps or offline stores. Once the recipient confirms receipt, the service cycle is completed.

China Premium Express Delivery



Set forth below are the major phases and steps for our China premium express delivery service:

- *Order placement and first-mile pick-up.* A sender may drop off parcels at delivery stations of our logistics partners or request pick-up services at designated locations. Our or our logistics partners' delivery personnel collect and send the parcels to the designated sorting centers. Through our e-waybills, we assign a unique tracking number and corresponding barcode to each parcel, which enables real-time status tracking.
- *Sorting and transportation.* Upon receiving parcels within its coverage area, the sorting center sorts, packs and dispatches them to the destination sorting centers via line-haul routes. Barcodes on e-waybills attached to the parcels are scanned as they go through each logistics node for progress tracking.

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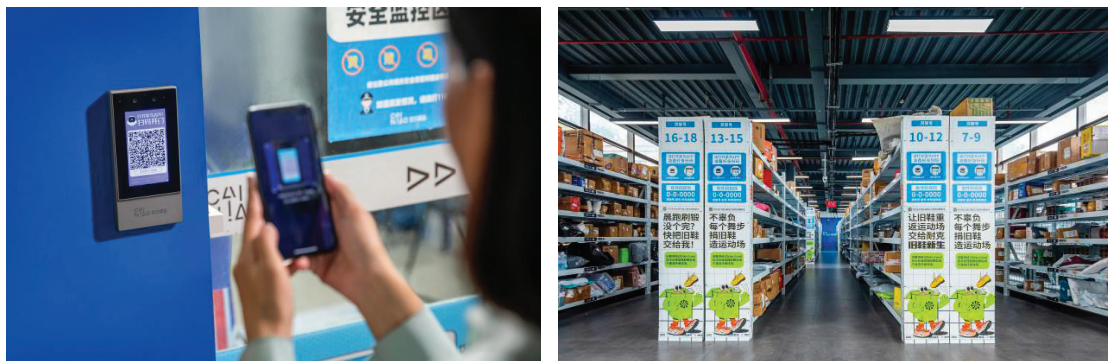
- *Last-mile delivery and confirmation.* The destination sorting center unloads and sorts the parcels in preparation for last-mile deliveries. Our or our logistics partners’ personnel then delivers parcels to locations designated by the recipients. Once the recipient confirms receipt, the service cycle is completed.

Technology and Other Services

Cainiao Post Solution

In the past decade, the annual express delivery parcel volume in China surged by almost 20 times while the number of couriers grew by only six times, according to CIC, presenting substantial challenges and constraints to the last-mile delivery process for e-commerce. Furthermore, sub-standard infrastructure, inconsistent service quality and hidden fees have led to poor consumer experience and high operating costs for express delivery companies.

Starting in 2015, we proactively sought to tackle this challenge and brought to market an innovative technology solution called *Cainiao Post* (菜鸟驿站). Through *Cainiao Post*, we seamlessly connect and integrate a large number of third-party operated “pick-up, drop-off” stations and smart lockers located across local communities, campuses and rural areas into our logistics network. According to CIC, we have enabled the largest digital “pick-up, drop-off” network in the world, both in terms of the number of “pick-up, drop-off” stations as of December 31, 2022 and the number of parcels processed in 2022. This digital “pick-up, drop-off” network processed more than 80 million parcels per day on average in the three months ended June 30, 2023 and connected over 170,000 “pick-up, drop-off” stations as of June 30, 2023.



Consumers can pick up or drop off their parcels delivered or to be delivered by express delivery companies at any “pick-up, drop-off” stations or smart lockers connected by *Cainiao Post*, and can monitor the delivery activities and journey of their parcels on our Cainiao App. *Cainiao Post* facilitates collaboration between these “pick-up, drop-off” station operators and express delivery companies to enable more efficient last-mile deliveries.

OUR BUSINESS

We provide “pick-up, drop-off” station operators with technologies and uniform service standards to streamline their operations and enhance the overall consumer experience. For example, we equip the “pick-up, drop-off” stations with modern designs and advanced IoT and smart technologies, such as smart scanners, light strips and cloud-enabled security monitoring, to offer a digital, convenient consumer experience. To further provide convenience to consumers, our *Cainiao Post* solution also includes the deployment of electric unmanned delivery vehicles at select “pick-up, drop-off” stations within gated campuses and communities to facilitate doorstep delivery. In addition, our *Cainiao Post* solution enables the unmanned, automated operation of “pick-up, drop-off” stations in select locations that facilitates 24/7 parcel drop-off and pick-up services.

For “pick-up, drop-off” stations located in rural areas, our *Cainiao Post* solution facilitated an innovative “joint distribution” model in collaboration with major express delivery companies to address the challenges presented by the less developed logistics infrastructure in China’s rural communities. Such model involves sharing distribution centers and integrating systems of express delivery companies to improve the efficiency and cost-effectiveness in moving goods and parcels to and from rural areas.

For the operations of the “pick-up, drop-off” stations, we enter into written agreements with qualified third parties, pursuant to which we provide technology systems and brand name, while qualified third parties operate the “pick-up, drop-off” stations and smart lockers in accordance with our pre-defined service standards. Express delivery companies pay service fees to the “pick-up, drop-off” station operators for parcel storage services.

We believe our *Cainiao Post* solution and the large digital “pick-up, drop-off” network enabled by it serves as an innovative model for empowering last-mile services as part of the next-generation logistics infrastructure, while creating attractive entrepreneurial and employment opportunities across local communities. See “— Environmental, Social and Governance.”

Cainiao App

We are a pioneer in developing and operating mobile apps for supporting logistics services. Our *Cainiao App* allows consumers to check the real-time status of parcels transported by express delivery companies, and conveniently retrieve and send parcels from any “pick-up, drop-off” station enabled by *Cainiao Post*. Our *Cainiao App* also provides consumers with a smooth product return experience by enabling return order initiation, doorstep pick-up requests and status tracking through a few simple taps in the app. This encourages more online purchases by consumers who can enjoy return policies similar to those at offline stores. The app provides convenient, easy-to-access services to consumers, and also gives us wider reach and additional monetization opportunities.

OUR BUSINESS

Cainiao App is powered by our advanced technologies and algorithms to enable effective courier matching, smart routing and end-to-end status tracking, among other capabilities, for improving speed, visibility, efficiency and cost-effectiveness. Our Cainiao App is the largest logistics app in the world in terms of the number of average MAUs in 2022, according to CIC. Cainiao App had over 60 million average MAUs in fiscal year 2023.

The charts below depict the main interfaces and functionalities of our Cainiao App.



Logistics Technology

Recognizing the inadequacy of existing market solutions, we have developed advanced technologies to address specific e-commerce logistics challenges, such as demand forecasting, broad SKU management, surge management and full-chain traceability. In addition to serving as the backbone of our smart logistics services, we offer technologies as innovative products to logistics companies and brands. We aim to empower various players along the logistics value chain to improve industry-wide efficiency, which we believe will complement and support our logistics solutions and enhance customer experience.

Our logistics technology solutions may be broadly grouped into three categories: automation, digital supply chain and smart hardware.

Automation

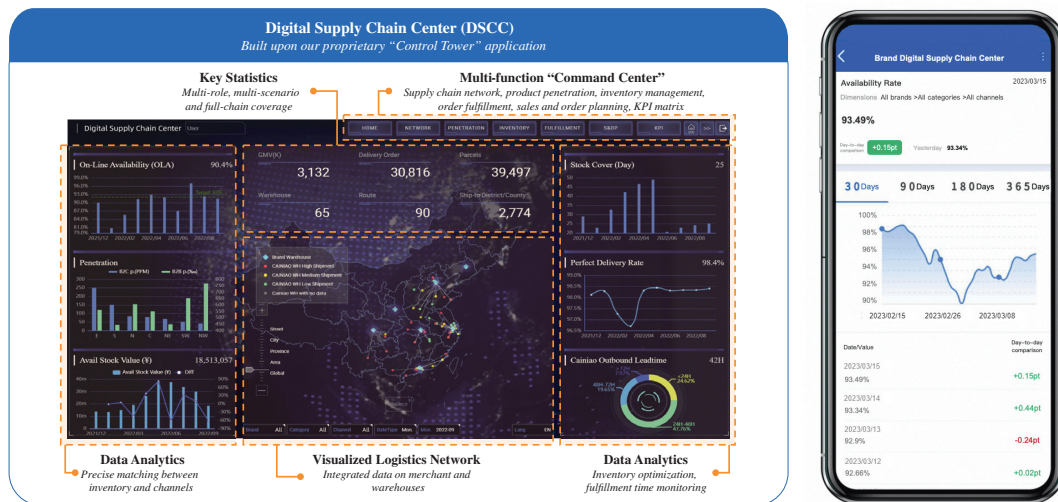
We provide comprehensive automation solutions to brands and logistics companies. For brands, we help them better manage supply chains and upgrade warehouse facilities through smart automation, including high-density AS/RS system, robotics arms and AGVs, thereby improving fulfillment speed and efficiency. For logistics companies, we apply automated sorting technologies, such as cross-belt sorters and smart workstations, to help improve processing capacity and service quality. As of June 30, 2023, we had delivered or were in the process of completing 149 automation projects for customers. For example, we helped an

OUR BUSINESS

Asia-based logistics company develop and configure a smart e-commerce warehouse by designing intelligent workflows and building and integrating automation and control software systems, including over 100 AGVs powered by our proprietary algorithms, all delivered during the COVID-19 pandemic and under a tight schedule.

Digital Supply Chain

We provide digital supply chain solutions, mainly including the Digital Supply Chain Center (“DSCC”) and Collaborative Planning, Forecasting and Replenishment (“CPFR”) applications, to serve our customers who prefer to manage supply chains on their own. Our solutions help brands and merchants digitalize and streamline the end-to-end supply chain operations, manage inventories across online and offline channels, gain real-time visibility and control and make data-driven forecasts and decisions, thereby achieving improved inventory turnover, higher efficiency and lower costs. Through our mobile app, supply chain managers can also monitor inventories, identify issues and communicate with team members easily from their mobile phones. Set forth below are the main desktop and mobile interfaces of our digital supply chain suite.



Smart Hardware

We provide smart hardware solutions, mainly including IoT devices and RFID technologies, to help customers digitalize their end-to-end logistics process to achieve better visibility, control and efficiency. We have self-developed a comprehensive suite of products, such as LEMO PDAs and RFID readers, which can be tailored to various application scenarios in complex operating environments to achieve highly accurate and reliable results. Leveraging technologies such as edge computing, we relentlessly seek to improve user-friendliness and cost-effectiveness in our smart hardware products, delivering them at competitive costs that are affordable for logistics companies of all sizes. See “— Our Technology — Smart Hardware.”

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A highlight of our product matrix is our RFID solution, which can be applied in a wide array of use cases, such as inventory and channel management, to improve end-to-end visibility and control, reduce product damages and losses and lower labor costs. Our RFID technologies can function effectively, even in complex operating environments, and deliver high accuracy and sensitivity levels at competitive costs. In fiscal year 2023, we delivered over 100 million RFID tags, which helped accelerate the digitalization of supply chains for merchants, brands and manufacturers. For example, we have collaborated with a leading Chinese confectionery and snack food producer to digitalize its supply chain with our RFID solution and other technologies, which have enabled it to replace old QR coding processes along the value chain and use software applications to facilitate inventory tracking and control.

Logistics Asset Services

Leasing and Operations

Along with the development of our business, we develop and own certain logistics facilities, such as warehouses, and we lease unused portion of such facilities to brands and merchants in order to improve our asset utilization, deepen customer relationships and enhance business collaborations. We also provide property management services to promote comfort, efficiency, safety and convenience to tenants, with capabilities encompassing property maintenance, property consultation, facilities management, vehicle and personnel management, security monitoring and engineering support, among others.

Asset Management

As we built out our smart logistics network, we have developed the ability to provide full-chain asset management solutions for logistics infrastructure, from fund-raising, investment, post-investment management to exit. We offer technology-enabled services for site selection, development and construction, leasing, property management and other value-added services, to preserve and increase asset value and maximize return on investment.

Growing with Our Customers

Our wide array of supply chain solutions, express delivery services, technology and other services enable us to effectively support China-to-global and global-to-China e-commerce for a growing number of customers across industry verticals and of all sizes in an efficient, cost-effective and sustainable manner. As our customers grow in size, complexity and geographic reach, our network and technology capabilities grow with them in order to remove logistics hurdles, achieve efficiency and cost savings and offer superior customer experience. Set forth below is an example of how our services grew in both scope and depth to meet logistics needs of Chinese and global brands.

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Unilever: End-to-End Supply Chain, Technology and Sustainability Solutions

Unilever is a leading global consumer goods company with over 400 brand names operating across more than 190 countries and regions. In 2013, we started supporting *Unilever* to grow sales in China by providing warehousing and delivery services for its flagship stores on Tmall's domestic and cross-border e-commerce marketplaces, while integrating systems and workflows for improved visibility and control. Along with *Unilever's* business growth over the years, our services expanded to cover its end-to-end China domestic and cross-border supply chain, both within and outside of Tmall, from upgrading in-warehouse processing and packaging solutions, to optimizing inventory management and allocation, and to facilitating general trade import into China retail markets.

Starting from 2023, our collaboration with *Unilever* has been extended further to outfitting warehouses with smart IoT and automation technologies and promoting green logistics and sustainability efforts, such as the carbon footprint management system and low-carbon transportation options. Our smart global network and technology help *Unilever* build a supply chain that effectively promotes fulfillment speed, service quality and operational flexibility, thereby contributing to improved consumer satisfaction.

REVENUE MODEL

Logistics Services

For our express delivery services, we charge delivery fees on a per-parcel basis. Generally, we maintain a catalog of standardized pricing for our express delivery services, which is determined with reference to delivery speed, parcel size and weight, shipping distance, special handling requirements and any ancillary charges.

For our supply chain services, we charge service fees based on the service selected, such as storage, processing, delivery and various value-added services. Generally, we maintain a catalog of standardized pricing for our supply chain services. We also adopt a differentiated pricing model for solutions tailored based on customer needs, which is determined with reference to various factors, such as service selected, delivery speed, transportation method, special handling requirements and any ancillary charges.

Cainiao Post Solution and Cainiao App

For *Cainiao Post* solution, we mainly charge technology platform fees on a per-parcel basis. We also charge fees for the display of advertisements on the *Cainiao App*, mini program and official account. Fee rates are determined based upon various factors, including market conditions, our value added in the logistics value chain, competition, prevailing market prices for comparable services and our operating costs.

OUR BUSINESS

Logistics Technology

For our technology solutions, we generally charge technology service fees on a project basis, with pricing determined based on the specific mix of software, hardware and adjacent advisory solutions provided. Our fee rates are determined based upon various factors, including the complexity of technology solutions, competition, customization and service needs, prevailing market prices charged for comparable services and our operating costs.

Logistics Asset Services

For our leasing and operations services, we charge leasing fees for our logistics facilities. We determine the leasing fee rates based on a number of factors, including lease area and duration, property location and amenities, service quality, as well as local supply, demand and pricing for comparable properties. For our asset management services, we charge management fees, which are generally determined based upon prevailing market prices for comparable services and specific customer needs.

OUR LOGISTICS NETWORK

Our global network represents a decade of investment, innovation and operational expertise, and it is designed to effectively support our comprehensive suite of logistics solutions to meet customer demand across a wide array of delivery arrangements, distances and time expectations for the e-commerce sector.



E-Hub



Sorting Center



Warehouse



“Pick-up, drop-off” stations enabled by Cainiao Post

OUR BUSINESS

E-Hubs

We have established integrated e-commerce logistics hubs, which we refer to as e-Hubs, to optimize and streamline the movement of parcels across our global network. As a centerpiece of our global network, our e-Hubs combine cargo terminal, customs clearance and sorting capabilities, where we consolidate shipments from various origins, sort them based on destinations, and then efficiently distribute them to the appropriate flights or ground transportation for further delivery or store them for further handling. These e-Hubs play a critical role in our logistics network by allowing for faster transit times, improved connectivity, and increased capacity for handling large volumes of parcels and goods. Our e-Hubs are strategically located next to runways of major airports and serve as the gateway for global e-commerce and help improve delivery reach and reduce operating costs.

As of June 30, 2023, we had two e-Hubs in Liège, Belgium and Kuala Lumpur, Malaysia to sort, consolidate and clear customs for parcels and freight traffic moving into and from Europe and Southeast Asia, respectively. Our e-Hubs had an aggregate gross floor area of 150,000 square meters as of June 30, 2023. We are leading the construction and business planning of an additional e-Hub in Hong Kong and intend to obtain the right to manage its operations once it commences commercial operations, currently expected to be in 2024. In particular, our Liège e-Hub has an annual air freight capacity of over 200 kilotons and is connected to over 230 line-haul trucking routes, enabling access to 38 countries and regions. In the three months ended June 30, 2023, our Liège e-Hub processed average daily parcel volume of approximately 500,000.

Warehouses

Our warehouses serve essential functions within the supply chain, from inventory storage and management to order picking and packing, all enhanced by our AI-powered technologies. Starting from site selection and layout design, our warehouses are effectively planned and built to meet the unique needs of e-commerce that could not be sufficiently fulfilled by existing facilities available on the market. Embedded with our e-commerce and technology DNA, our smart warehouses help merchants and brands manage hundreds of thousands of SKUs with rapid iterations, fulfill millions of orders on a time-definite basis across both online channels and offline stores, while handling significant volume spikes during promotional events and shopping seasons. We believe these warehousing capabilities create unique competitive advantages for our supply chain solutions and effectively increase customer stickiness.

We control key warehouses through ownership or long-term lease and place them at major transportation hubs or near our customers or end consumers, thereby promoting fulfillment speed, service quality and cost-effectiveness. During seasonal surges, we are also able to provide customers with flexible warehousing options through quickly commissioning warehouses operated by our logistics partners in accordance with our service and technology standards. As of June 30, 2023, we managed over 1,100 warehouses with an aggregate gross floor area of approximately 16.5 million square meters. Among these warehouses, over 360

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warehouses are dedicated to international logistics with an aggregate gross floor area of approximately 3.5 million square meters and over 750 warehouses are dedicated to China logistics with an aggregate gross floor area of approximately 13.0 million.

We apply AI, automation, IoT and other smart technologies to offer end-to-end visibility, control and efficiency throughout our warehouse operations, encompassing product inspection, inventory management, order picking, packaging, in-warehouse processing, security monitoring as well as inbound and outbound transportation. For example, our smart warehouses are outfitted with state-of-the-art automated equipment, such as advanced AS/RS, 3D 4-way pallet shuttle and AGVs, thereby replacing manual, error-prone processes with automated tools and optimized workflows. For details of our IoT and automation initiatives, see “— Our Technology — Smart Hardware.”

Sorting Centers

Sorting is one of the most critical factors that impacts delivery time and costs. Our sorting centers collect parcels primarily from our warehouses, merchants or consumers within their respective coverage areas, and sort and dispatch them to the destination sorting centers. The destination sorting centers unload and sort the parcels in preparation for last-mile delivery. As of June 30, 2023, we managed over 380 sorting centers globally, including 27 sorting centers dedicated to international logistics (with 18 located overseas) and over 350 sorting centers dedicated to China logistics. Similar to our warehouse network, we are able to quickly add sorting capacities during periods of seasonal surges through commissioning and controlling sorting centers operated by our logistics partners. We also equip our sorting centers with state-of-the-art automation, IoT and other smart technologies to improve capacity, speed, efficiency and cost-effectiveness. See “— Our Technology — Smart Hardware.”

Line-haul

We have established partnerships with a wide array of blue chip third-party service providers to offer line-haul transportation services via air, ocean, rail and road routes around the world. Our large group of major line-haul partners enables us to secure sufficient, reliable line-haul transportation resources at competitive prices, which effectively support our comprehensive suite of time-definite logistics services. For example, we partner with major air cargo carriers, such as Air China Cargo, to operate frequent chartered flight routes between China and key overseas destinations, which provide the speed, capacity and stability to enable e-commerce platforms and merchants to better penetrate such markets. To ensure the quality of our line-haul services, we have established procedures in screening, selecting and overseeing the service providers we engage with, including reviews of their operating history, fleet condition, reliability, among other criteria.

As of June 30, 2023, our extensive global line-haul network consisted of well-planned cross-border routes, connecting over 200 countries and regions around the world. Our cross-border routes consisted of approximately 170 chartered flights and BSAs per week on

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average between China and key overseas destinations in June 2023 and over 2,700 line-haul trucking routes globally as of June 30, 2023. We apply our AI engines to control and optimize the route planning and fleet dispatching for our line-haul network, while leveraging IoT and other technologies to monitor parcel status and provide real-time updates to merchants and consumers.

Customs Clearance

We have established a smart, friction-less customs clearance system in collaboration with service providers across more than 100 ports worldwide as of June 30, 2023. At select key ports, our advanced technologies and optimized workflows enable us to cut the customs clearance time for large quantities of parcels from days to seconds.

Last-mile

Mainly through collaboration with logistics partners, we manage a large global last-mile network with significant density in China, consisting of extensive delivery and digital “pick-up, drop-off” networks. Our last-mile network reached 99.7% of the cities and 99.4% of the counties and districts in China for the three months ended June 30, 2023. As of June 30, 2023, our China domestic delivery capabilities were supported by over 4,400 delivery stations. We have also built networks of express delivery stations in international markets, such as Spain. Furthermore, we have enabled the largest digital “pick-up, drop-off” network globally, according to CIC. As of June 30, 2023, the digital “pick-up, drop-off” network consisted of over 170,000 “pick-up, drop-off” stations.

We primarily work with logistics partners to complete the other steps of the last-mile delivery process, which we can monitor via our systems to collect customer feedback, analyze carrier performance, manage capacity and encourage communication. As part of certain premium solutions, we utilize our *Cainiao Express* in-house delivery team to provide high-quality, time-definite last-mile to-door delivery to consumers.

Liège E-Hub: Smooth, Uninterrupted Operations During the COVID-19 Pandemic

Amidst the peak of the COVID-19 pandemic in Europe, our operations and cross-border services to European markets remained fully functional while there were significant disruptions to other logistics services in the region. The resilience of our services was in large part attributed to our e-Hub located in Liège, Belgium, along with our related logistics network components and resources.

- *Strategic location* – Our Liège e-Hub is strategically positioned in Belgium, allowing us to efficiently serve over 60% of Europe’s population within the next day at optimal cost. Co-located at the Liège airport, one of Europe’s largest air cargo transportation centers with 24-hour operations, we enjoy privileged access to airport runways while keeping our operations separate from passenger-related constraints,

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ensuring uninterrupted functionality during the COVID-19 pandemic. In proximity to ports and rail stations, our Liège e-Hub has multi-modal capabilities that enhance connectivity between China and the European markets.

- *Dedicated resources* – Based on the flow of goods through global e-commerce, we identify critical nodes along the primary routes, and control logistics infrastructure at these critical nodes to ensure stable logistics services for our operations, including e-Hubs, warehouses and sorting centers. Additionally, we have secured dedicated transportation resources, such as chartered flights, exclusively for our use. These measures help prevent our operations from potential shutdowns and disruptions.

By combining our advantageous location and dedicated logistics resources, we were able to ensure smooth operations of our cross-border logistics services throughout the challenging times presented by the COVID-19 pandemic in Europe.

OUR TECHNOLOGY

Technology is key to our success in achieving efficiency, improving customer experience and enabling innovation. Leveraging our “e-commerce × technology” DNA, we develop cost-effective, practical and rapidly-iterating technologies that are “just right” for tackling real-life logistics problems. Our technology strategy centers on advancing digitalization, intelligence and empowerment across the e-commerce logistics value chain.

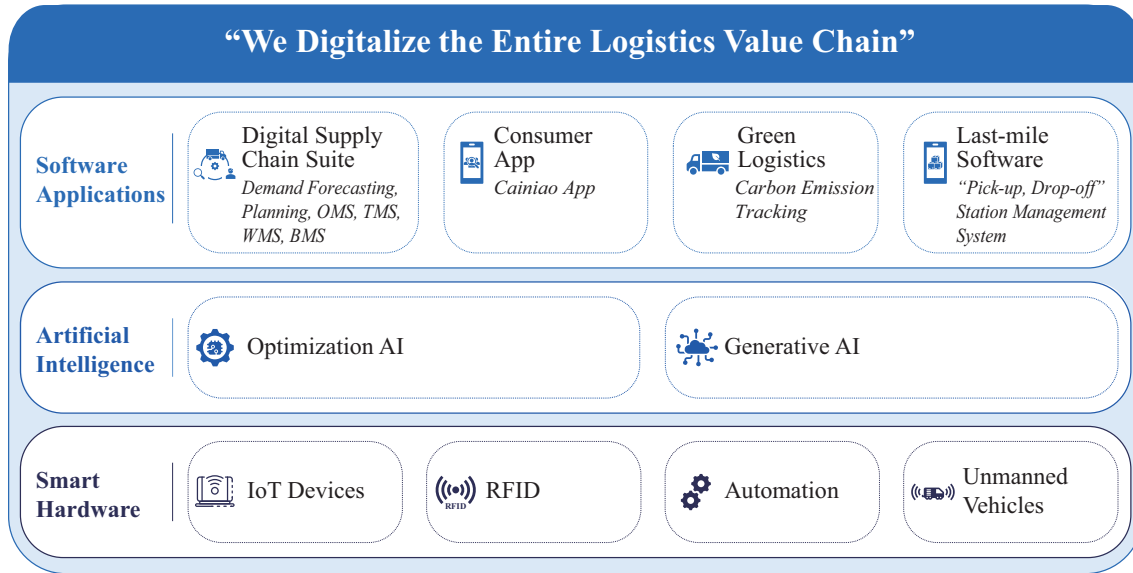
Digitalization. By leveraging IoT devices and RFID technologies, we digitalize the end-to-end logistics value chain to provide unprecedented visibility and control. This transformation turns the previously opaque and complex world of logistics into a digital realm where logistics challenges can be addressed in real time.

Intelligence. Drawing upon our e-commerce insights, we develop predictive analytics to anticipate when and where orders may be placed and for what products, while our digitalized logistics network offers real-time visibility into the availability and capacity of personnel, vehicles and routes across our network. This unique combination empowers us to effectively deploy the right resources at the right time, place and cost.

Empowerment. We automate mundane and repetitive tasks to improve productivity and efficiency across our operations. We do not seek to replace humans with machines, but rather to empower our front-line and back-office employees to excel in their roles and focus on areas where they can make the greatest impact.

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Below is a summary of our technology capabilities stack:



Smart Hardware

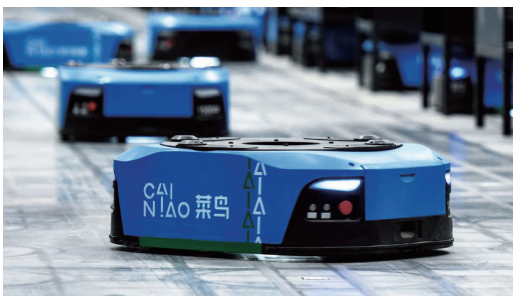
Our smart hardware digitalizes and automates key steps throughout the logistics value chain and is critical to fulfilling our vision of transforming the e-commerce logistics industry and enabling a seamless experience for global e-commerce. We focus on improving the user-friendliness and cost-effectiveness of various types of smart hardware, which contributes to their wide adoption across our and our logistics partners’ operations.



LEMO Suite



RFID



AGVs



Xiaomanlv

OUR BUSINESS

IoT Devices

We innovate in IoT technologies to digitalize and connect physical assets, including inventories, parcels, facilities and vehicles, to our virtual platforms at low cost, thereby enabling greater visibility, control and efficiency. Our philosophy is to apply ergonomic principles for a human-centric experience, while pursuing end-to-end optimization through software-hardware integration.

We have self-developed a comprehensive suite of IoT devices, which we refer to as the LEMO suite, to improve operating efficiency and cost savings throughout logistics operations. For example, our self-developed LEMO Personal Digital Assistant (“**PDA**”) is an ergonomic hand-held smart device that stands out for its lightweight, flexibility and affordability. It functions as a digital terminal for collecting logistics information, and leverages IoT technologies to provide real-time inventory and order updates and optimize routes for order picking. With LEMO PDAs, personnel at our warehouses and sorting centers can easily implement enhanced workflows by following simple instructions on an intuitive user interface, all accomplished with one hand.

RFID

Our RFID technologies incorporate advanced wireless features and superior industrial design, playing a pivotal role in advancing the digitalization of the logistics value chain. When placed on parcels, RFID tags can be identified by our proprietary RFID readers rapidly and accurately, even in complex operating environments. With RFID technologies, we are able to automate processes such as inventory management and parcel sortation, thereby minimizing human errors, streamlining operations and reducing costs. Our in-house research and development capabilities enable end-to-end design and optimization, from RFID readers, to software and algorithms, and to use cases such as anti-theft doors. This allows us to offer comprehensive solutions that can be customized and fine-tuned to meet specific customer needs.

Automation

We envision automation as an integral component of the future logistics infrastructure, where humans and machines work in seamless collaboration, allowing each to leverage their unique strengths and reach their full potential. We develop and deploy automation technologies for logistics professionals across blue- and white-collar roles, which improves productivity and job satisfaction.

Our large-scale automation technologies are designed to provide “just right” solutions that improve efficiency and cost-effectiveness across sorting centers and warehouses. We possess distinct strengths in our ability to develop software control technologies for advanced equipment and devices, such as cross-belt sorters, which were once available only through a handful of industry players. This allows us to stay ahead of the innovation curve and improve our automation technologies continuously and independently.

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Automated Sorting. Equipped with proprietary IoT, robotics and AI-powered technologies, such as cross-belt, pivot-wheel and swing-arm sorters, our automated systems are capable of sorting and distributing parcels based on predefined rules and algorithms. These automated systems can efficiently handle a high volume of parcels, accurately identifying, categorizing and routing them to their respective destinations. These automated systems can also adapt to dynamic demand patterns, optimize sorting routes and make timely adjustments. Such capabilities help reduce errors, streamline operations and improve sorting capacity and speed.

Automated Warehousing. We leverage smart algorithms and advanced automation technologies, such as robotics, AS/RS, 3D 4-way pallet shuttles and AGVs to enable automated order picking, packaging and high-density storage capabilities in warehouses. Such capabilities are designed to effectively improve order fulfillment speed, service quality and asset utilization. For example:

- Our AGVs are adaptive and designed to operate autonomously within warehouses and sorting centers and efficiently move goods and pallets. Equipped with advanced sensors and guided by proprietary smart algorithms, our AGVs can navigate predetermined routes, avoid obstacles and interact and coordinate with other equipment and systems.
- Our automated high-density storage system combines IoT and robotics technologies, advanced algorithms and vertical physical structures to enable storage and retrieval of goods and parcels in a highly compact and organized manner. To ensure workplace safety, our storage system is also equipped with features such as fire suppression systems and insulated walls and panels.

Furthermore, based on intelligent process automation technologies, we are piloting “AI assistant” tools tailored for various roles, spanning from warehouse managers to customer service professionals. These tools help streamline workflows and enable our employees to serve customers in a more efficient manner.

Unmanned Delivery Vehicles

Xiaomanlv (小蠻驢), our proprietary electric unmanned delivery vehicles, are designed to strengthen our last-mile capabilities by efficiently transporting parcels from our “pick-up, drop-off” stations to consumers’ doorsteps, generally within gated communities and campuses. As of March 31, 2023, we had deployed over 800 *Xiaomanlv*. In fiscal year 2023, we delivered more than 10 million parcels in China via *Xiaomanlv*.

Leveraging advanced technologies, such as autonomous driving, computer vision and AI, *Xiaomanlv* can navigate through streets and avoid obstacles to ensure safe, timely and reliable deliveries. Our cutting-edge technologies applied on *Xiaomanlv* have been recognized by leading industry publications. For example, in 2020, our computer vision algorithms, which offer centimeter-level obstacle detection capability, were ranked first for their capability to

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accurately categorize image pixels into objects by Semantic KITTI, a leading organization for evaluating autonomous driving algorithms. Powered by electric batteries, *Xiaomanlv* also contributes to environmental sustainability by reducing carbon emissions. As we expand and validate the capabilities of *Xiaomanlv*, we will seek to commercialize and offer them to external customers.

Artificial Intelligence

Drawing upon our unique e-commerce DNA, we possess extensive insights into customer preferences and order flows spanning a wide array of product categories, industries and geographic regions. Furthermore, our fully digitalized, integrated logistics value chain generates a massive amount of valuable logistics information, such as movement of parcels and delivery vehicles. We have deployed an advanced data architecture that is embedded with robust security features, such as encryption, access controls and monitoring, to properly store, handle and analyze such data.

We apply innovative AI technologies to deliver better insights, differentiate service offerings, optimize resource allocation and ultimately improve customer experience. We have developed and integrated into our service offerings and business operations a series of proprietary AI technologies, including Optimization AI and Generative AI, featuring self-learning, natural language processing, optical character recognition, text-to-speech and computer-vision algorithms.

Our main Optimization AI engine, powered by our in-house developed solver, revolutionizes the parcel journey with applications in parcel packing, order consolidation, and route planning, handling tens of billions of API calls annually. Serving as a “super brain”, our solver employs AI optimization algorithms to enhance vehicle matching efficiency, minimize travel distance and costs, improve operational precision, and provide accurate delivery time forecasts. Additionally, our smart order consolidation algorithms can predict and combine a customer’s orders placed at different times from different or the same merchants to send in one single shipment within the expected delivery timeframe, which enable us to offer upgraded services.

Our Generative AI, powered by the latest large language model, enables us to improve customer experience and enhance operating efficiency. For example, our Generative AI can adeptly summarize interactions between our customer service representatives and customers and help representatives provide effective responses. Moreover, leveraging our data analytics capabilities, our Generative AI can analyze business rules and policies and help our customer service representatives operate with increased efficiency.

Software Applications

We develop software applications to enable differentiated, digital capabilities in our network, offering the main interfaces through which we and our customers and logistics partners can monitor and coordinate along the logistics process. Our software applications

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mainly consist of (i) a “supply chain suite” that enables demand forecasting and planning, (ii) an OTWB operations suite that consists of an Order Management System (“OMS”), a Transportation Management System (“TMS”), a Warehouse Management System (“WMS”) and a Business Management System (“BMS”), (iii) the consumer-facing Cainiao App and (iv) other software applications for various use cases, such as green logistics and last-mile. Some of our core suite applications are not only used internally and by our logistics partners, but also offered as solutions to external customers. See “— Our Service Offerings — Technology and Other Services — Logistics Technology.”

We design our software applications to underpin the next-generation logistics infrastructure for e-commerce. These applications are both version-less and cloud-native, allowing for agile iterations that facilitate continuous improvement and ensure adaptability to evolving business needs. Furthermore, our business-facing applications incorporate functionalities such as search-and-recommendation and chat-style interaction, offering an intuitive, user-friendly experience comparable to consumer-facing applications. We highlight below key features of our supply chain suite, Cainiao App and other applications.

Supply Chain Suite. Our integrated supply chain suite enables intelligent data-driven decision making, such as demand forecasting and planning. It helps us effectively manage orders from numerous merchants offering a large amount of SKUs in China and across borders and improve productivity. Our supply chain suite primarily consists of: (i) the DSCC application, which mainly includes a digital Control Tower that enables visibility, control, data analytics and reporting across the logistics process, with advanced capabilities that help users better forecast sales, allocate inventories, monitor parcel deliveries and manage promotional events, and (ii) the CPFR application, which leverages smart algorithms to help merchants and brands better manage, allocate and replenish inventory based on more accurate demand forecast across regions, thereby lowering holding costs and improving inventory turnover.

Operations Suite. Designed to facilitate efficient management of logistics process, our OTWB operations suite consists of: (i) the OMS, which is designed to manage and coordinate the end-to-end fulfillment process, from order entry and validation to settlement; (ii) the TMS, which is designed to track, manage and coordinate the transportation process, encompassing carrier selection and management, route optimization and real-time monitoring; (iii) the WMS, which is designed to track, control and monitor the flow of parcels and goods through warehouses, while enabling enhanced inventory control, high-density storage, as well as picking, packaging and shipping operations; and (iv) the BMS, which is designed to support various business functions, such as procurement, supplier management and finance.

Applications. We have developed a suite of specialized vertical applications to improve efficiency and customer service. For example, our digital Automated Customs Clearance System, combined with simplified processes and proprietary IoT and smart hardware technologies, allows us to complete customs clearance for thousands of cross-border parcels within seconds. The system enables connectivity with more than 100 key ports around the world, which significantly improves the efficiency in our cross-border delivery process. We have also developed a proprietary software application to better connect and integrate the

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“pick-up, drop-off” stations, which facilitate a more streamlined logistics experience for consumers, express delivery companies and station operators. Furthermore, we have developed a carbon footprint management system to help customers and logistics partners effectively track carbon emissions and manage carbon assets, and we are commercializing it as a subscription service. See also “— Environmental, Social and Governance — Environmental — Green Solutions.”

Our technology organization is designed to be agile and efficient, empowering various business teams with full-stack, closed-loop development capabilities to promptly address market trends and customer requirements. As of June 30, 2023, we had 2,762 employees, or 19.6% of our total employees dedicated to product development, who collectively possess expertise across key technology domains, such as hardware, software, big data, algorithms, cybersecurity and data security. For fiscal years 2021, 2022 and 2023 and the three months ended June 30, 2022 and 2023, we incurred RMB1,529 million, RMB2,282 million, RMB2,512 million, RMB560 million and RMB606 million of product development expenses.

BRANDING, SALES AND MARKETING

We prioritize the promotion of our premier *Cainiao* brand, which embodies our culture of long-term commitment, relentless execution, striving for excellence and customer-oriented innovation. We believe the most impactful branding and marketing strategy lies in consistently delivering ground-breaking, industry-shaping solutions that truly benefit our customers. This approach allows our disruptive solutions to speak for themselves, resulting in substantial organic growth driven by word-of-mouth.

In addition, our “e-commerce × technology” DNA offers distinct advantages in brand promotion and marketing. We have direct access to the world’s largest pool of merchants through various e-commerce platforms, and to a large number of consumers through our Cainiao App. Leveraging our AI-driven technologies, we embrace a digital marketing strategy that encompasses a wide array of outreach efforts, such as making personalized recommendations and discount offers to potential customers, as well as showcasing our products and solutions on our websites, mobile apps and social media.

For merchants, brands and logistics companies, we have also assembled dedicated business development teams, who actively pursue new customers across various industries, proactively reaching out and offering vertical solutions that cater to their specific needs. We also assign dedicated personnel to establish productive working relationships with our key account customers, including conducting regular meetings to stay updated on their evolving demand and collecting feedback on our services, and identifying cross-sell and up-sell opportunities. Furthermore, we host offline events for key account customers and focus on generating word-of-mouth referrals among existing customers. We believe these efforts have contributed to the growth of our customer base and stickiness.

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OUR CUSTOMERS

Our customers primarily include merchant and brands, e-commerce platforms, consumers, as well as logistics companies in China and around the world. For details of our customers under each of our service solutions, please see “— Our Service Offerings.”

In fiscal years 2021, 2022 and 2023 and three months ended June 30, 2023, revenue from our top five customers accounted for 34.4%, 34.8%, 32.3% and 34.4% of our total revenue for the respective periods, and revenue from our largest customer, Alibaba Group, accounted for 29.2%, 30.8%, 28.2% and 29.7% of our total revenue for the respective periods. See “Risk Factors — Risks Related to Our Industry and Business — We have a strategic and synergistic relationship with Alibaba Group. If we are unable to maintain such relationship with Alibaba Group or adapt to changes in the Alibaba ecosystem, or if the Alibaba ecosystem does not grow as expected, our business, financial condition, results of operations and prospects may be materially and adversely affected” and “Connected Transactions” for details of the agreements between us and Alibaba Group. During the Track Record Period, other than Alibaba Group, no other customer accounted for more than 2% of our revenue.

To the best of our knowledge, other than Alibaba Group, all of our other top five largest customers during the Track Record Period were independent third parties of ours as of the Latest Practicable Date.

As of June 30, 2023, we had maintained business relationships with our five largest customers for four to ten years. The credit terms that we grant to customers typically range from zero to 112 days. The settlement methods for our customers are typically on a real-time or monthly basis.

During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge, other than (i) Mr. Tsai, who owned an equity interest of approximately 1.4% in Alibaba as of the Latest Practicable Date, (ii) each of our other executive Directors and non-executive Directors who owned insignificant numbers of shares in Alibaba and (iii) Mr. Guojun Shen, who had an insignificant interest in Alibaba as of the Latest Practicable Date, none of our Directors, their associates or any of our current Shareholders who held more than 5% of our share capital had any interest in any of our five largest customers.

CUSTOMER SERVICE

As a customer-centric smart logistics business, we place great emphasis on maintaining high-quality service to promote customer loyalty and the *Cainiao* brand image. We offer a range of differentiated service levels to cater to the various customer needs. For example, for more established brands and merchants, our designated key account managers conduct periodic meetings to stay up to date on their business needs and collect feedback on our services, and

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identify cross-sell and up-sell opportunities. For SME brands and merchants, our system enables convenient self-service and request submission, and facilitates prompt follow-up communication and assistance by customer service representatives to resolve issues to the satisfaction of customers.

We deploy smart technologies, such as Generative AI, to enhance our customer service capabilities. Our Generative AI is able to summarize interactions between our customer service representatives and customers, identify and understand recurring patterns in inquiries, which help our customer service representatives provide more effective responses and handle similar situations with increased efficiency. We seek to improve our customer service through monitoring a series of customer service-related indicators, such as call center answer rates, complaint response timeliness rates and customer satisfaction rates.

OUR SUPPLIERS

Our suppliers primarily include service providers for line-haul transportation and express delivery. Most of our major suppliers are based in China.

In fiscal years 2021, 2022 and 2023 and three months ended June 30, 2023, purchases from our largest five suppliers in aggregate accounted for 30.2%, 28.1%, 23.9% and 19.1% of our total purchases for the respective periods, and purchases from our largest supplier accounted for 13.0%, 14.5%, 7.4% and 5.5% of our total purchases for the respective periods. To the best of our knowledge, all of our top five largest suppliers during the Track Record Period were independent third parties as of the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge, none of our Directors, their associates or any of our current Shareholders who held more than 5% of our share capital had any interest in any of our five largest suppliers.

As of June 30, 2023, we had maintained business relationships with our five largest suppliers for nine to ten years. The credit terms that we have with suppliers typically range from 30 to 45 days. The settlement methods for our suppliers use are typically on a weekly or monthly basis.

We believe we have sufficient alternative suppliers for our business that can provide us with substitutes of comparable quality and prices. During the Track Record Period, we did not experience any significant fluctuation in prices set by our suppliers, material breach of contract on the part of our suppliers, or disruption to our business as a result of any significant shortages or delays in providing related products or services.

OVERLAP BETWEEN MAJOR CUSTOMERS AND SUPPLIERS

During the Track Record Period, Alibaba Group is both our major customer and supplier, due to our strategic and synergistic relationship. In fiscal years 2021, 2022 and 2023 and the three months ended June 30, 2023, we generated revenue of RMB15,423 million, RMB20,614

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million, RMB21,901 million and RMB6,880 million from Alibaba Group, representing approximately 29.2%, 30.8%, 28.2% and 29.7% of our revenues for the respective periods. During the same periods, we incurred cost of revenue and operating expenses of RMB1,466 million, RMB1,922 million, RMB1,803 million and RMB463 million, respectively, from Alibaba Group, representing approximately 2.7%, 2.8%, 2.3% and 2.1% of our cost of revenue and operating expenses for the respective periods. See “Financial Information — Material Related Party Transactions” for further details regarding our transactions with the Alibaba Group during the Track Record Period; “Relationship with Our Controlling Shareholders — Independence from Controlling Shareholders” for further details regarding our cooperation with Alibaba; “Connected Transactions” for further details regarding the continuing arrangement with the Alibaba going forward; and “Risk Factors — Risks Related to Our Industry and Business — We have a strategic and synergistic relationship with Alibaba Group. If we are unable to maintain such relationship with Alibaba Group or adapt to changes in the Alibaba ecosystem, or if the Alibaba ecosystem does not grow as expected, our business, financial condition, results of operations and prospects may be materially and adversely affected.”

During the Track Record Period, two of our major customers are also our major suppliers. During the Track Record Period, we primarily provided logistics technology and logistics asset services to these two companies, which are both China-based leading logistics companies, while these two companies primarily provided China domestic express delivery services to us. We entered into such arrangements with these companies primarily to leverage our respective strengths and competitive advantages in the logistics value chain. We believe such arrangements are fair, reasonable, on normal commercial terms and determined on an arm’s length basis. In fiscal years 2021, 2022, 2023 and the three months ended June 30, 2023, the revenue generated from these companies represented approximately 0.5%, 0.7%, 1.1% and 1.9% of our total revenue, respectively, and the purchase amount attributable to these express delivery companies represented approximately 3.4%, 4.5%, 10.1% and 9.3%, respectively, of our total purchases for the corresponding periods.

DATA PRIVACY AND PROTECTION

Data security and privacy protection is of paramount concern to our business. We collect, process, use, store and share certain data and personal information to best serve our customers and work with our business partners. Such data and personal information include, for example, consumers’ names, phone numbers and addresses. We have implemented internal policies and control measures that enable us to (i) maintain compliance with relevant laws and regulations and (ii) prevent unauthorized access to, breach of, tampering with or loss of sensitive data and personal information throughout the data lifecycle. We also seek to continuously improve our policies and control measures regarding data security and privacy through regular checks and updates.

Our information security department is responsible for formulating data protection policy, assessing data security risks and monitoring data access and processing activities, among other responsibilities. Our internal audit and information security departments are responsible for

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conducting periodic audits to monitor compliance with our internal policies and effectiveness of control measures. In addition, we provide regular employee training regarding data security and privacy. Our employees are also legally obligated to surrender confidential information in their possession upon resignation or termination, and to continue fulfilling their confidential obligations thereafter in accordance with the employee contracts.

During the Track Record Period and up to the Latest Practicable Date, we had not received any material claim from any third party against us on the ground of infringement of such party's right to data protection or privacy as provided by the any applicable laws and regulations, and we had not experienced any data breach or cybersecurity incidents that materially and adversely affected our operations.

Set forth below is a summary of our key control measures for protecting data security and privacy throughout the data lifecycle:

Collecting data

We collect data and personal information only to the extent that is necessary and appropriate for the use of our platform and with legal basis, including obtaining authorizations regarding data collection, processing and usage from our customers. In our privacy policy, we describe our practices related to how we collect, process and use data, among other aspects, and make such policy accessible to our customers through our website and mobile app.

Processing data

We process data in ways that strictly protect the legitimate rights of data subjects. For example, we limit the scope of our data processing to achieve specific and reasonable purposes, and prohibit our employees from processing data for other unauthorized purposes. We also require appropriate authorizations for employees to process personal information and monitor visitor and access logs.

Using data

We categorize data based on its level of sensitivity and confidentiality. Retrieval and use of data is subject to assessment and approval procedures based on such data categorization. Our database can only be accessed by certain designated and authorized personnel, whose actions are recorded and monitored. We apply additional encryption measures to protect confidential and sensitive data. Furthermore, we use personal information only for stated purposes as authorized by the users or with other legal basis as provided by laws and regulations.

Storing data

We store our data on cloud-based servers, and we protect the server systems with heightened levels of security. For example, our network configuration is secured at multiple layers to protect our databases from unauthorized access. We use sophisticated security

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protocols for communications among our mobile app, website and plug-ins. To prevent unauthorized access to our system, we utilize a system of firewalls to separate our external-facing services from our internal systems. Furthermore, we conduct regular account audits and monitor server operations. We will promptly upgrade server systems once security issues are identified. To minimize the risk of data loss, we have data disaster recovery procedures in place, and we also conduct regular data backup and data recovery tests.

Sharing data

We do not share with, transfer or disclose sensitive data or personal information to any third parties except in certain limited circumstances, including when it is expressly authorized by our customers, necessary to provide services to customers, or in compliance with the applicable laws and regulations. Third parties that we share data with include our business partners, such as express delivery companies.

Our privacy policy states necessary information related to data sharing, such as the nature, purpose and method of data sharing. We undertake technical measures to protect the security of data transmission, such as authentication and encryption. We also include confidentiality and compliance provisions in our contracts with third parties, which require them to comply with relevant laws and regulations and refrain from unauthorized use or sharing of our data to other parties, among other aspects.

COMPETITION

The markets in which we and our business partners operate are competitive and evolving. We face competition mainly from other companies that offer express delivery, supply chain solutions, logistics technology and logistics asset services.

We compete primarily on the basis of the following factors: e-commerce insights, technology capabilities, global network coverage, innovation in business models, products and services and operating efficiency. Furthermore, as our business continues to grow rapidly, we face significant competition for highly skilled personnel. The success of our growth strategy depends in part on our ability to retain existing personnel and attract additional highly skilled employees.

There can be no assurance that we will be able to compete successfully against our current or future competitors or that competition will not have a material adverse effect on our business, results of operations and financial condition. For a discussion of risks relating to competition, see "Risk Factors — Risks Related to Our Industry and Business — If we are unable to compete effectively, our business, financial condition and results of operations would be materially and adversely affected."

OUR BUSINESS

EMPLOYEES

As of March 31, 2021, 2022 and 2023 and June 30, 2023, we had a total of 11,694, 14,375, 14,061 and 14,099 full-time employees, respectively. As of June 30, 2023, 13,512, or 95.8%, of our full-time employees were based in China, and the remaining full-time employees were located across 21 countries and regions. The table below sets out the number of our employees by function as of June 30, 2023.

Functions	Number of employees	% of total employees
Operations.	8,807	62.5%
Product development	2,762	19.6%
Sales and marketing.	886	6.3%
General administration	1,644	11.7%
Total	14,099	100.0%

We believe we offer our employees competitive compensation packages and an environment that encourages self-development and, as a result, have generally been able to attract and retain qualified personnel.

We also offer a wide array of employee welfare programs, such as paid sick leave, parental leave, interest-free housing loans as well as employee support funds. We also offer various insurance coverage and benefits. As required by regulations in China, we participate in various employee social security plans that are organized by municipal and provincial governments for our China-based employees, including pension, unemployment insurance, childbirth insurance, work-related injury insurance, medical insurance and housing insurance. We are required by law to make contributions from time to time to employee benefit plans for our China-based employees at specified percentages of the salaries, bonuses and certain allowances of such employees, up to a maximum amount specified by the local governments in China. Outside of China, we also participate in various government statutory employee benefit plans in compliance with local laws and regulations.

We primarily recruit our employees through on-campus job fairs, recruitment agencies and online channels, including our corporate website and third-party employment websites. We offer in-house and external training to employees at all levels in accordance with their functions, positions and responsibilities, covering both soft and technical skills. Additional training is provided locally to satisfy specific country needs. Furthermore, we have established an employee experience committee and regularly conduct employee surveys to measure and monitor levels of job satisfaction and identify areas for improvement.

We generally enter into standard employment agreements with our employees. We also enter into standard confidentiality and non-compete agreements with our senior management in accordance with market practice.

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None of our employees are represented by labor unions or collective bargaining agreements. We believe that we maintain a good working relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any strikes, work stoppages, labor disputes or actions which had a material adverse effect on our business and operations.

SEASONALITY

Seasonal fluctuations have affected, and are likely to affect our business in the future. Historically, the fourth quarter of each calendar year generally contributes the largest portion of our annual revenues due to a number of factors, such as the 11.11 Global Shopping Festival sales and the overseas holiday sales, and the impact of seasonal buying patterns in respect of certain categories, such as apparel. The first quarter of each calendar year generally contributes the smallest portion of our annual revenues, primarily due to the Chinese New Year holiday, during which time consumers generally spend less and businesses in China are generally closed. Our revenue in the second quarter of each calendar year generally improve from the first quarter due to increases in e-commerce activities, followed by relatively lower revenue in the third quarter. Moreover, our margins and profits also exhibit patterns of seasonality due to fluctuations in order volumes and business activities throughout the year. We historically recorded lower profit margins in the first quarter of a calendar year due to low utilization of resources as a result of lower order volumes during the Chinese New Year holiday.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

ESG Strategy and Goals

We recognize the importance of ESG and believe it enables us to create business and social values in a forward-looking, sustainable manner. As a smart logistics company, we possess a distinct advantage in harnessing cutting-edge technology and extensive logistics network to empower customers, business partners and consumers across a wide array of environmental and social initiatives.

We have undertaken a materiality assessment for and prioritized our ESG efforts around five focus areas: green logistics, customer experience, community service, emergency logistics and high-quality employment. We have incorporated these focus areas into our overall corporate strategy and development, and established concrete action plans with defined timelines. Furthermore, we track ESG metrics and incorporate ESG goals and progress into management performance evaluations to facilitate effective implementation.

OUR BUSINESS

ESG Governance

We have established a comprehensive, robust and tiered governance framework to effectively identify and manage environmental, climate and social risks and meet sustainability development goals. Our Board has overall responsibility for ESG matters. After the [REDACTED], we will establish a sustainability committee at the board level, responsible for directing overall ESG strategies, reviewing and approving material ESG matters, and overseeing the implementation of ESG initiatives.

Our ESG core strategy committee at the management level, chaired by our chief executive officer, is responsible for incorporating annual ESG goals into business strategies, evaluating ESG performance and reporting to the Board on ESG matters. We have also established cross-functional ESG task forces for promoting implementation of ESG goals across business units and functions and providing progress reports to the ESG core strategy committee. Meanwhile, our business units and functions are responsible for implementing ESG initiatives in accordance with established goals and action plans and providing regular reports to the relevant ESG task forces. After the [REDACTED], our ESG core strategy committee plans to hold coordination meetings periodically with the sustainability committee to review the implementation progress of ESG goals and other relevant key issues. With respect to ESG reporting, we will comply with the ESG Reporting Guide published by the Stock Exchange from time to time.

Environmental

We place great emphasis on addressing climate challenges, developing circular economy and promoting green logistics. We strive to achieve these goals through comprehensive efforts, including (i) innovating in end-to-end green solutions for the logistics industry and (ii) promoting consumer awareness and participation through green campaigns. In particular, we proactively undertake measures to understand the environmental and climate impact of our business and operations and seek to mitigate such impact and develop strategies for adaptation through technology and product innovation. We are dedicated to maintaining strict compliance with applicable environmental laws and regulations. See “Regulatory Overview — Regulations of Environmental Protection.”

We pay close attention to the potential climate risks that could impact our business operations. When planning our business operations, we seek to consider events such as intensified weather conditions in various places, increased external attention and enhanced customer demand to address environmental challenges.

GHG Emission Reduction Targets

Based on an assessment of our Scope 1, 2 and 3 emissions in accordance with the GHG Protocol, we have established clear GHG emissions reduction targets as set out below:

- net-zero GHG emissions by 2050;

OUR BUSINESS

- carbon neutrality in our own operations, and reduction of Scope 3 carbon intensity by 50% by 2030 (from the base year of 2021).

To achieve our targets, we have developed and plan to continue strengthening a series of green solutions to enable ourselves, our customers and our logistics partners to reduce carbon footprints. We also plan to further promote green initiatives with our logistics partners, suppliers and consumers, and motivate them to continually step up their green efforts.

Green Solutions

Our green solutions leverage smart technologies, data analytics and clean energy to reduce carbon emissions and promote circular economy throughout our end-to-end logistics process, from order placing, to packaging and transportation, and to warehousing, which are further supported by our smart algorithms and digital tools.

Order placement. Our green journey starts as early as when a consumer places a buy or delivery order. We innovate in various technologies to digitalize the order placement and related processes, including the introduction of e-waybills and smart order consolidation technologies, among others, to promote efficiency and resource conservation. In fiscal years 2021, 2022 and 2023, our e-waybills have been applied on more than 100 billion parcels, saving 400 billion shipping labels for the logistics industry.

Packaging. We offer green packaging solutions that are simple, environmentally friendly and tailored to the needs of different industries. For example, we promoted shipping with original boxes, which is achieved by attaching shipping labels directly to boxed goods without an extra layer of packaging, achieving a notable reduction in the use of packaging materials by 128,000 tons in fiscal year 2023. In addition, we have optimized box designs and developed AI-driven box packing algorithms, which can recommend optimal box type, size and layout based on specific items and shipping requirements, to minimize the use of packaging and other consumable materials. Furthermore, we innovated in creating a B2B reusable box solution, which involves using our proprietary RFID technologies to help our logistics partners to identify, collect and manage reusable boxes. We provided reusable box products in China for leading FMCG players, such as *PepsiCo* and *Enoulite*. In fiscal year 2023, approximately 33,000 reusable boxes were in circulation, and the cumulated number of box uses reached 130,000 times.

Transportation. For road transportation, we have self-developed algorithms to optimize carrier selection and route planning based on relevant factors such as traffic condition and resource availability, which can help reduce travel distance, avoid empty hauls and improve fuel efficiency. We also promote the use of electric or unmanned vehicles in various use cases, such as in intra-city and last-mile deliveries. As of March 31, 2023, among the fleets used for our intra-city delivery services, approximately 33% of them were new energy vehicles. As of March 31, 2023, we had deployed over 800 *Xiaomanlv*. In fiscal year 2023, we delivered more than 10 million parcels in China via *Xiaomanlv*. For air freight, we also started using sustainable fuel in commercial freight in fiscal year 2023.

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Warehousing. We have invested in upgrading our warehouses and other logistics facilities to enable increased use of solar energy for electricity generation. As of June 30, 2023, nine of our China domestic logistics and industrial parks were equipped with solar panels, providing a total installed capacity of 33.4 megawatts.

Smart algorithms and digital tools. We have developed smart algorithms and digital tools to track carbon emissions reduction with efficiency, precision and verifiability across various scenarios, such as supply chain, express delivery and logistics asset services, which can be used for supporting our own and our customers’ and logistics partners’ green initiatives. In particular, our carbon footprint management system helps our customers and business partners effectively manage carbon assets and track carbon footprint, offering functionalities such as carbon emission calculations, forecasting and target planning. As of June 30, 2023, we contracted with over 40 companies across various industries, such as apparel, FMCG, beauty and book publishing, to offer such system as a subscription service.

Green Campaigns

Leveraging our smart technology and logistics network, we strive to make green initiatives more accessible to the public. For example, we have established the Green Home (綠色家園) mini-program in our Cainiao App, an online interactive community that promotes environmental awareness and sustainable consumption practices by enabling consumers to gain visibility into the end-to-end logistics process and digitally recording consumers’ green actions at “pick-up, drop-off” stations, among other measures. According to CIC, Green Home was the first interactive digital community dedicated to green initiatives sponsored by the logistics industry.

Supported by the Green Home mini-program and our logistics network, we rolled out a range of green campaigns, such as the Box Home-Coming Project (回箱計劃) through which consumers may send parcels with used boxes at “pick-up, drop-off” stations in exchange for carbon credits. Furthermore, leveraging our extensive digital “pick-up, drop-off” network, we collaborate with leading brands to provide for responsible recycling of various used products, such as old sneakers, mobile phones and household appliances, which were once challenging to dispose of due to their environmental impact. Green campaigns like these are part of our ongoing commitment to advancing sustainability goals.

Social

Caring for Employees

We care for our employees and seek to provide high-quality employment opportunities. We are committed to the principles of fairness, just and transparency in employment, and strive to create a workplace that offers equal opportunity and diversity. We do not tolerate any form of discrimination based on gender, ethnicity, religion or cultural background. We respect and

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protect employees’ rights and strictly comply with applicable labor and employment laws in China and globally, including the prohibition of child labor or forced labor. See “—Employees” for further details regarding our efforts for attracting and motivating qualified employees.

Occupational Health and Safety

We attach great importance to occupational health and safety. A number of our warehouses have been certified under ISO-45001, a set of standards for occupational health and safety. We have established a robust governance structure with clear accountability and responsibilities for safety management, including a dedicated safety department led by experienced executives. We have developed and implemented comprehensive procedures, encompassing safety management, accident classification, investigation and reporting and emergency incident response, among other key aspects. Furthermore, we provide annual safety training that is tailored to the employees’ roles and responsibilities. Our management also holds regular meetings to review our safety management program and identify areas for improvement.

During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any material fines or other penalties due to non-compliance in relation to health, work safety, social or environmental regulations, and have not had any material accident, or claim for personal or property damage made by our employees which had materially and adversely affected our financial condition or business operations.

Creating Job Opportunities

Our vast, inclusive network has generated a significant number of job opportunities for a variety of groups seeking flexible employment, such as stay-at-home parents, college students, rural residents and freelancers. For example, as of March 31, 2023, our cloud customer service team had facilitated flexible employment for over 61,000 individuals, including providing opportunities for over 600 individuals with disabilities to earn stable incomes. As of June 30, 2023, the digital “pick-up, drop-off” network enabled by our *Cainiao Post* solution created more than 200,000 entrepreneurial and employment opportunities throughout local communities.

Furthermore, we have implemented a wide variety of initiatives, such as learning platforms, professional certifications and roundtable discussions, to support “pick-up, drop-off” station managers in their professional development. We believe our commitment to social goals and network of infrastructure and capabilities will enable us to effectively serve local communities in which we operate.

OUR BUSINESS

Empowering Emergency Logistics

As a socially responsible company, we strive to empower emergency logistics by making it more robust, intelligent and transparent, achieved through our technology, data and network. “Emergency logistics” refers to logistics needs caused by public emergencies, such as natural disasters or health epidemics. We leverage our capabilities to actively support local governments and charitable organizations in both disaster relief efforts as well as public welfare and charitable endeavors for the benefit of underserved communities.

We have established a robust governance structure to promote the resiliency of emergency logistics infrastructure in China and globally. Led by our chief executive officer, our cross-functional, specialized global team can rapidly mobilize resources and capabilities across our vast smart logistics network, encompassing technology-enabled logistics hubs, warehouses, line-haul and last-mile delivery, as well as the capabilities of our logistics partners to support disaster relief or other emergency logistics efforts. We have also established intelligent systems to effectively manage supplies, equipment and facilities supporting emergency logistics. Since 2020, we have provided free transportation of medical and other essential supplies across over 150 countries and regions, in collaboration with more than 50 logistics partners. In 2022, we dedicated 150 warehouses and delivery operations across more than 300 cities across China to the storage, transportation and delivery of medical supplies and other necessities.

Leveraging our smart supply chain capabilities, we also help promote trust in public welfare and charitable endeavors through improved transparency and efficiency. For example, we have developed a digital management system for One Foundation (壹基金), a China-based leading charitable organization to better track and manage donated goods and resources, such as “winter warmth packs.” The system enables real-time tracking and control of the end-to-end logistics process, encompassing first-mile pick-up, warehousing, packaging, transportation and delivery, to ensure donations ultimately reach the intended beneficiaries. As of June 30, 2023, we had collaboration with 29 charitable organizations, such as China Foundation for Rural Development and the United Nations World Food Programme, to strengthen the global network and develop innovative solutions to support emergency logistics.

INTELLECTUAL PROPERTY

We believe the protection of our trademarks, copyrights, domain names, trade names, trade secrets, patents and other proprietary rights is critical to our business. We rely on a combination of trademark, fair trade practice, copyright and trade secret protection laws and patent protection in China and other jurisdictions, as well as confidentiality procedures and contractual provisions to protect our intellectual property and our trademarks. We also enter into confidentiality and invention assignment agreements with all of our employees, and we rigorously control access to our proprietary technology and information.

OUR BUSINESS

As of June 30, 2023, we had (i) 889 issued patents and patent applications; (ii) 4,320 granted trademarks and trademark applications; (iii) 278 granted computer software copyrights and (iv) 317 granted domain names. See “Appendix V — Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights of Our Group” for details of our material intellectual property rights. Pursuant to the IP Licensing Agreement, Alibaba Group and we will share the use of certain intellectual properties underlying certain software and technologies used in their respective business operations (including software copyrights, patents and know-how) (the “**Licensed IP Rights**”) on a non-exclusive, perpetual and royalty-free basis. We and Alibaba Group will use the Licensed IP Rights within the scope specified in the IP Licensing Agreement.

During the Track Record Period, we had not been subject to any material intellectual property infringement claims by third parties or suffered any material intellectual infringement by third parties.

PROPERTIES

Owned Properties

As of June 30, 2023, we owned certain properties in China, and to a much lesser extent, Indonesia and Vietnam, covering an aggregate gross floor area of approximately 10 million square meters, which are primarily used as warehouses, sorting centers and offices.

Leased Properties

As of the Latest Practicable Date, through our material subsidiaries in China, we leased 111 properties each with a gross floor area of more than 5,000 square meters, covering an aggregate gross floor area of approximately 2.5 million square meters. We also leased a number of properties in several international locations. Our leased properties were primarily used as warehouses, sorting centers, offices and dormitories, with terms typically ranging from one to three years.

We believe that the premises that we currently own and lease are adequate to meet our current needs, but we expect to expand our global logistics network by leasing, building, or purchasing additional facilities in the future.

As of June 30, 2023, none of the properties owned or leased by us had a carrying amount of 15% or more of our consolidated total assets. According to Chapter 5 of the Listing Rules and Section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempt from the requirements of Section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

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INSURANCE

We provide social security insurance, including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and medical insurance for our employees. Furthermore, we have purchased property insurance, business interruption insurance for certain of our logistics facilities and third-party liabilities insurance. We do not maintain key-man insurance or product liability insurance.

We consider our insurance coverage to be adequate and in line with that of other companies of similar size and business nature. Our management will evaluate the adequacy of our insurance coverage from time to time and purchase additional insurance policies as needed. Our business is, however, susceptible to risks arising from losses we sustain during the course of our business operations and we cannot assure you that the insurance policies we have taken out are always able to cover all losses we sustain. See "Risk Factors — Risks Related to Our Industry and Business — We may not have sufficient insurance coverage to cover our business risks."

RISK MANAGEMENT AND INTERNAL CONTROL

We have devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations, and we are dedicated to continuously improving these systems. We have adopted and implemented comprehensive risk management policies in various aspects of our business operations such as operational risk, information technology, financial reporting, investment, regulatory compliance and legal risk, human resources and safety.

Our overall risk management framework and strategies are set out by the Risk Management Committee ("RMC"), which is led by our head of legal and compliance department and comprises other senior members of our management team across a range of functional departments, including legal and compliance, anti-corruption, public relations, among others. The responsibilities of the RMC include providing oversight of the risk management framework, allocating risk management responsibilities, approving risk management strategies, assessing our overall risk exposures and approving responses to major risk events.

Operational Risk Management

We have established internal procedures to identify and manage operational risks, including ensuring the safety of our personnel, facilities, inventories, parcels and cargo throughout our logistics and supply chain operations. To mitigate operational risks, we have in place standard protocols, such as maintaining lists of prohibited or regulated items and conducting parcel security screening. We also provide periodic training to our employees to recognize hazards, mitigate risk and avoid injury to themselves and others at work. Our experience, risk management & public affairs department is responsible for implementing our operational risk management procedures and monitoring compliance with relevant policies.

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Information Technology Risk Management

Sufficient maintenance and protection of our information technology infrastructure, as well as the information we collect in the course of our business, is critical to our operations. We have implemented a number of IT risk management measures throughout our system, such as data back-up, recovery and emergency response mechanisms. We have put in place a series of back-up management procedures. We perform data recovery tests on a regular basis and we retain relevant records. We have an emergency response mechanism to evaluate critical risks, formulate disaster response plans and perform emergency drills regularly. We take extra precautions regarding the usage, storage and protection of critical and sensitive data we collect. See also “— Data Privacy and Protection.”

Our information technology department is responsible for the maintenance and protection of our information technology infrastructure, and for ensuring that our usage, storage and protection of data are in compliance with our internal rules and applicable laws and regulations. They also work closely with our human resources team to provide information security training to our employees from time to time.

Financial Reporting Risk Management

We have in place various accounting policies in connection with our financial reporting risk management. We have also implemented our financial reporting management system, which can monitor our financial reporting and recording procedures, to safeguard the implementation of our accounting policies. In addition, we provide regular training to our finance department employees to ensure that they understand our financial management and accounting policies and implement them in our operations.

Investment Risk Management

We have adopted internal policies that set out requirements for our investment activities (including mergers and acquisitions, joint ventures and external loans) in order to manage investment risks and improve returns. The policies cover the end-to-end process for our investment activities, including initiation, due diligence and evaluation, approval, implementation and post-investment management. We have also established a management-level governance structure to review, approve and oversee our investment portfolio.

Regulatory Compliance and Legal Risk Management

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. In particular, as we and our employees deal with a variety of third parties in our operations, we have implemented internal procedures with respect to anti-bribery, anti-corruption and conflict of interest matters. We impose on directors, senior management and employees penalties, and require compensation, for any losses incurred as a result of any activities concerning bribery and corruption.

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We continually improve our internal policies according to changes in laws, regulations and industry standards, and update internal templates for legal documents. We also undertake compliance management over various aspects of our operations and employee activities, and have established an accountability system in respect of employees' violations of laws, regulations and internal policies. In addition, we continually review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient.

Human Resources Risk Management

We provide training tailored to our human resource management policies and the needs of our employees in different departments. We from time to time organize training sessions for our employees covering various aspects of our business operations and compliance issues, such as anti-bribery and anti-corruption. Through these training sessions, we strive to ensure that our employee's knowledge level of our internal policies remain up-to-date, and to enable them to better comply with applicable laws and regulations in the course of exploring business.

Internal Controls

We have adopted strict internal control procedures, such as authorization requirements for procurement matters, to promote the compliance of our business operations with relevant laws, regulations and company policies. Our internal control function works closely with our legal and finance team to perform risk assessment, improve business efficiency, monitor the effectiveness of internal control and promote the awareness of internal control and risk management across the Company. We have also established and maintained channels to report misconduct and prohibit any form of retaliation against employees who reported misconduct in good faith.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We are involved from time to time, and may in the future be involved in, litigation, claims or other disputes in the ordinary course of business. During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

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Compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material non-compliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

LICENSES, PERMITS AND APPROVALS

During the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licenses, permits and approvals from relevant authorities that are material to our operations, and such licenses, permits and approvals are still valid and in force. We renew all such material permits and licenses from time to time to comply in all material aspects with the relevant laws and regulations. We believe there is no material legal impediment to renewing such permits, licenses or approvals.

The following table sets out a list of material licenses, permits and approvals that are material to our operations as of the Latest Practicable Date.

Permits and Licenses	Holders	Grant dates	Expiration dates
Courier Service Operation Permit	Various PRC-based subsidiaries	Various dates between September 18, 2018 and May 31, 2023	Various dates between September 28, 2024 and June 14, 2028
Road Transportation Operation Permit	Various PRC-based subsidiaries	Various dates between July 28, 2020 and November 11, 2021	Various dates between August 10, 2024 and November 11, 2031
Value-Added Telecommunication License	Hangzhou Cainiao	Various dates between October 20, 2021 and May 31, 2023	Various dates between April 7, 2026 and December 26, 2027

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Alibaba, through its wholly-owned subsidiaries, is indirectly interested in 10,690,860,833 Shares, representing approximately 69.54% of our total issued share capital. Immediately after the completion of the [REDACTED] (assuming (i) the [REDACTED] is not exercised and (ii) no other Shares are issued under the Pre-[REDACTED] Equity Incentive Plans and Post-[REDACTED] Equity Incentive Plan), Alibaba, through its wholly-owned subsidiaries, will control approximately [REDACTED]% of our total issued share capital. Therefore, Alibaba, together with its wholly-owned subsidiaries, will be our Controlling Shareholders, and our Company will remain as a subsidiary of Alibaba after the [REDACTED].

Alibaba is an exempted company incorporated in the Cayman Islands with limited liability on June 28, 1999. Alibaba’s American Depositary Shares, each representing eight ordinary shares of Alibaba, have been primary listed on the NYSE since September 19, 2014 under the ticker symbol “BABA”, and Alibaba’s ordinary shares have been secondary listed on the Main Board of the Stock Exchange under Chapter 19C of the Listing Rules since November 26, 2019 under the stock code “9988” (HKD Counter) and since June 19, 2023 under the stock code “89988” (RMB Counter) following the launch of Hong Kong Dollar — Renminbi Dual Counter Model by the Stock Exchange. Alibaba is a holding company of six major business groups, which are Taobao and Tmall Group, Alibaba International Digital Commerce Group, Cloud Intelligence Group, Local Services Group, Digital Media and Entertainment Group, in addition to our business, along with various other businesses.

DELINEATION OF BUSINESS

Among Alibaba, its consolidated subsidiaries and consolidated affiliated entities, our Company is the only business unit dedicated to providing comprehensive, end-to-end logistics services and supply chain management solutions to the entire e-commerce business globally. Our Company provides a wide array of logistics services and solutions to merchants and brands, e-commerce platforms, consumers and logistics companies around the world, operates a global network of infrastructure and capabilities, and employs state-of-the-art technologies and data analytics. There is no business within Alibaba Group which shares a similar business model.

Alibaba Group (i) operates a variety of leading and fast-growing e-commerce platforms, including Taobao and Tmall in China, and Lazada, AliExpress, Trendyol and Daraz internationally, (ii) engages in direct sales businesses, including through businesses such as Freshippo and Sun Art, and (iii) provides local consumer services, such as Ele.me. These businesses involve the transportation or delivery of goods to consumers. While Alibaba Group mainly utilizes our Company and third party logistics service providers to fulfill such logistics obligations, Alibaba Group has built in-house logistics and delivery functions under certain limited circumstances. However, these ancillary logistics functions are substantially different from, and are clearly delineated with, our Group’s businesses as illustrated below.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

(i) Logistics and delivery services in Southeast Asia, Türkiye and South Asia — Lazada, Trendyol and Daraz

Lazada, Trendyol and Daraz are e-commerce platforms primarily serving the Southeast Asia, Türkiye and South Asia markets, respectively. Each of them has developed in-house logistics capabilities to serve merchants selling products, among others, fast moving consumer goods, beauty, pharmaceutical, home appliances and furniture on such platforms and will remain within Alibaba Group.

Our businesses are clearly delineated from these in-house logistics capabilities of Lazada, Trendyol and Daraz due to their fundamental difference in geographic focus. On the one hand, we mainly provide China-to-global cross-border logistics services enabling China-based merchants and businesses sell into Southeast Asia, Türkiye and South Asia, and do not provide local-to-local delivery services in these markets. On the other hand, Trendyol and Daraz only provide local-to-local delivery services in Türkiye and South Asia, respectively, while Lazada primarily provides local-to-local delivery services within Southeast Asia, and, to a small extent, China-to-Southeast Asia cross-border delivery. For such cross-border transactions, Lazada will act as end-to-end cross-border logistics service providers by managing and arranging the full logistics process for merchants on its platform, whereby it will engage our Company to perform certain components of the logistics process. Our Company does not directly provide cross-border services to merchants on the Lazada e-commerce platform.

(ii) Direct sales business — Freshippo and Sun Art

Freshippo is Alibaba Group’s new retail business for groceries and fresh goods that integrates online and offline retail experiences, while Sun Art is a leading retailer in China with multi-formats and omni-channels.

While Alibaba Group mainly utilizes the logistics services of our Company and other third party logistics service providers to fulfill orders of its direct sales business, certain business units of Alibaba Group, such as Freshippo and Sun Art, also built their own logistics capabilities. The logistics operations of Freshippo and Sun Art were specifically designed to offer to-home delivery options to improve customer experience.

Due to the high proportion of fresh goods, groceries and daily necessities sold, Freshippo and Sun Art utilize their offline stores as warehousing and sorting centers to enable faster delivery directly from such offline stores to consumers. However, these logistics functions are merely designed to support the operations of these direct sales businesses. In contrast, our Company is dedicated to providing logistics services, and is not involved in the business of e-commerce or retail. The direct sales businesses of Alibaba Group operate in the retail market, which is a distinct industry from that of our Group.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

(iii) Local consumer services — Fengniao and Trendyol GO

Ele.me is a leading local services and on-demand delivery platform that enables consumers to order food and beverages, groceries, flowers and other products anytime and anywhere in China. Similarly, Trendyol GO provides instant delivery services for food and groceries orders placed by consumers in Türkiye. The delivery requirements for these services cannot be met by the scheduled logistics services and solutions of our Group designed for the e-commerce industry. As a result, Fengniao and Trendyol GO were developed to provide specialized on-demand delivery service, which involves movement of goods from point A to point B within a short timeframe by a designated rider, to support the unique needs of primarily Ele.me’s and Trendyol’s local consumer services, respectively.

The on-demand delivery service provided by Fengniao and Trendyol GO is fundamentally different from the scheduled delivery service provided by us:

- **On-demand delivery:** It refers to a service where a consumer typically requests immediate delivery of a product. The delivery process is initiated as soon as the order is prepared, in which one designated rider will pick up a meal order from a restaurant, or certain goods such as groceries from a convenience store or a supermarket, and deliver them to consumers on an “as soon as possible” basis and in a point-to-point manner, without handing them off to other parties.
- **Scheduled delivery:** Scheduled delivery is planned ahead of time for a specific future timeslot. We operate primarily through an end-to-end logistics network to transport a parcel on a planned basis. A parcel will go through different nodes within the logistics network, including warehouses, sorting and distribution centers, line-haul routes, and delivery outlets. Transportation of a parcel through such a network involves multiple scheduled hand-off points at key logistics nodes, encompassing warehouse storage, first-mile pick-up, sorting, line-haul transportation and last-mile delivery, which require close and efficient coordination among various parties.

The approaches to on-demand and scheduled deliveries are fundamentally distinct and the resulting customer experience are different. As such, our delivery services, which are scheduled and based on our logistics network, are different from those offered by Fengniao or Trendyol GO and are not targeted for on-demand delivery demand.

On the basis of the differences as set forth above, we consider that apart from their interest in our Company, our Controlling Shareholders and our Directors do not currently control a business similar to the principal business of our Group that competes or is likely to compete, either directly or indirectly, with our Group’s business.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholders and their respective close associates after the [REDACTED].

Management independence

Our business is managed and conducted by our Board and senior management. Our Board comprises two executive Directors, three non-executive Directors and three independent non-executive Directors.

Our Directors are of the view that our Board and our senior management are capable of operating our business and managing all actual or potential conflicts of interest independently from Alibaba Group for the following reasons:

- (a) except for Mr. Joseph C. TSAI, Ms. Shan DAI, Mr. Fan JIANG and Mr. Lin WAN, there will not be any overlap between Alibaba Group and our Company in terms of directors and senior management. Mr. Joseph C. TSAI is the chairman of Alibaba and a board member of Taobao and Tmall Group, Ms. Shan DAI is the chief executive officer and a board member of Taobao and Tmall Group, and Mr. Fan JIANG is the chief executive officer and a board member of Alibaba International Digital Commerce Group. Mr. Lin WAN is only a member of senior management of Alibaba Group by virtue of his position as the chief executive officer of our Group, and does not hold any other management positions in Alibaba Group. Mr. Joseph C. TSAI, Ms. Shan DAI and Mr. Fan JIANG are all non-executive directors of our Company and they will not be involved in the day-to-day management and operations of our business. They will provide professional opinion and judgment to our Company. See "Directors and Senior Management" in this document for their positions within Alibaba Group;
- (b) our executive Directors and our senior management members are responsible for the day-to-day management of our business, and none of them holds any directorships and/or other management positions in Alibaba Group apart from their positions in our Group;
- (c) five out of eight Directors do not hold any other positions in Alibaba Group apart from their positions in our Group. Accordingly, a vast majority of the members of our Board are independent of Alibaba Group. Mr. Joseph C. TSAI, Ms. Shan DAI and Mr. Fan JIANG, being the Directors who will continue to hold positions in Alibaba Group, do not have an absolute majority to pass any resolution of our Board;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (d) three out of eight Directors, representing over one-third of our Board, are independent non-executive Directors. All of our independent non-executive Directors are independent of Alibaba Group, and none of them are directors of Alibaba Group or otherwise connected with Alibaba Group in any manner that may affect their independent judgment or independence, as required under the Listing Rules. Our independent non-executive Directors are professional parties having extensive experience in their respective areas of expertise. See “Directors and Senior Management” in this document for more details. Our independent non-executive Directors are appointed in accordance with the requirements under the Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions. They will also provide checks and balances over the decision-making of the Board on significant transactions, connected transactions and other transactions involving any actual or potential conflict of interests; and

- (e) each Director is aware of his/her fiduciary duties as a director which require, among others, that he/she acts for the benefit and in the interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests. For the avoidance of doubt, our Directors’ interests in Alibaba (if any) will not compromise their independence of judgment in discharging their fiduciary duty as directors of our Company. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting and shall not be counted in the quorum at the relevant board meetings of our Company in respect of such transactions. See the paragraph headed “Corporate Governance Measures” below for other corporate governance measures we have adopted to manage conflicts of interest, if any, between our Group and our Controlling Shareholders.

Based on the above, our Directors believe that our business is managed independently from our Controlling Shareholders and their respective close associates.

As of the Latest Practicable Date, Mr. Lin WAN and Mr. Zheng LIU, executive Directors of our Company, held certain interests in Alibaba. Since their interests only represent less than 0.1% of equity interest and voting power in Alibaba and they do not hold any directorships and/or senior management roles within Alibaba apart from their positions in our Group, our Company believes that their respective interest in Alibaba does not constitute a material interest that compromises their independence of judgment in discharging their fiduciary duties as a director of our Company, and therefore does not require them to abstain from voting at the board meetings of our Company in respect of matters involving Alibaba Group after [REDACTED]. For further details of their interests in Alibaba and their relative immateriality, see “Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders — 1. Disclosure of Interests” in Appendix V to this document.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Operational independence

We serve both the logistics needs within the Alibaba ecosystem and also the consumers, merchants and businesses beyond the Alibaba ecosystem. Revenue from Alibaba Group accounted for only 29.2%, 30.8%, 28.2% and 29.7% of our total revenue for the years ended March 31, 2021, 2022 and 2023 and the three months ended June 30, 2023, respectively. While our external customers include merchants and brands who transact on Alibaba Group’s e-commerce platforms, we do not rely on Alibaba Group for acquiring such merchants or brands as its customers. Alibaba Group’s e-commerce platforms generally allow merchants or brands to choose their preferred logistics service vendor when managing their order fulfillment, and Alibaba Group is not in a position to significantly influence external customers to utilize our services.

In addition, among the external customers with businesses on Alibaba Group’s e-commerce platforms, these customers also have businesses through other sales channels and on other e-commerce platforms not operated by Alibaba Group. For such customers, we will fulfill their orders not only for sales on the Taobao and Tmall platforms, but also through merchants’ and brands’ own digital stores, as well as other e-commerce platforms and online stores not operated by Alibaba Group. For example, our services to certain customers may expand from China express delivery services for their flagship stores on the Tmall platform to cover end-to-end China domestic and cross-border supply chain, both within and outside of the Alibaba ecosystem, catering to online and offline channels alike. We also assemble dedicated business development teams for merchants, brands and logistics business customers to actively pursue new customers across various industries, and assign dedicated personnel to establish productive working relationships with our key account customers to identify cross-sell and up-sell opportunities.

Our Group holds all material licenses and owns all material trademarks, patents and other intellectual properties (or rights to use intellectual properties) necessary to carry on our business. As disclosed in the section headed “Connected Transactions — Fully Exempt Continuing Connected Transaction — 1. IP Licensing Agreement” in this document, Alibaba Group and our Group will continue to share the use of certain intellectual properties underlying certain software and technologies used in their respective business operations. However, as these shared intellectual properties only relate to the peripheral aspects of our Group’s business operations, our Company considers that such arrangement does not affect our operational independence from our Controlling Shareholders or their respective close associates.

We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders. Apart from certain shared services as set out in the section headed “Connected Transaction — Partially Exempt Continuing Connected Transactions — 6. Shared Services Framework Agreement”, upon [REDACTED], we will continue to have a separate management team and independent core functions, including but not limited to finance and accounting, internal audit, legal, procurement, sales and marketing, IT, logistics, quality control and other administrative functions, which operate independently

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

from Alibaba Group. All essential management and daily operations of our Group will be carried out by a team of staff employed by us independently. We have also adopted a set of internal control procedures to maintain effective and independent operation of our business.

We have independent access to our customers and an independent work force to carry out our business independently from our Controlling Shareholders. We have established our own operational and organizational structure with dedicated departments and management personnel to run daily operations. We have our own employees and management team equipped with relevant skills and experience to run the ordinary course of our business.

In light of our close business relationship with Alibaba Group, we have entered into a number of transactions with Alibaba Group which constitute the framework for our business cooperation with Alibaba Group. The transactions between us and Alibaba Group constitute a significant proportion of our business transactions and collaborative arrangements. Given the established long-term relationship between our Group and Alibaba Group and that our Company will continue to be a consolidated subsidiary of Alibaba Group after the [REDACTED], such arrangements are unlikely to materially adversely change or terminate.

See “Connected Transactions” in this document for further details of and the reasons for entering into these transactions.

1. Advertisement and Promotional Services Framework Agreements

Our Group provides certain advertisement and promotional services to Alibaba, its subsidiaries and associates (collectively, the “**Alibaba Entities**”), utilizing the advertising resources operated and managed by our Group (including but not limited to display of advertisements on our platforms, such as the Cainiao App and mini program).

The terms offered by our Group to Alibaba Entities in respect of the relevant services are fair, reasonable and on normal commercial terms which are determined on an arm’s length basis and are no less favorable than the terms available to other independent third party customers for similar services. While our Company generated certain revenue from the display of advertisements on, amongst others, the Cainiao App and mini program, we are not actively engaged in the business of advertising. Alibaba Group is engaged in online marketing and advertising services, where it matches the marketing demand of merchants, brands and retailers with suitable media resources. Our Company lends its platform for Alibaba Group to place advertisements of Alibaba Group’s client and shares a portion of Alibaba Group’s advertisement income, and to a very small extent, sells advertising space to other external advertising agents and platforms to place their clients’ advertisements. As such, it does not give rise to material competition issue with the business of advertising of Alibaba Group.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

2. Technical Services Framework Agreements

Our Group provides hardware and software technical support services (including logistics-related technical services, e-waybill services, logistics data processing technical services and other digital supply chain related technical services) to Alibaba Entities. The terms offered by our Group to Alibaba Entities in respect of the relevant services are fair, reasonable and on normal commercial terms which are determined on an arm’s length basis and are no less favorable than the terms available to other independent third party customers for similar services.

3. Warehouse Consultancy and Management Cooperation Agreement

Our Group provides warehouse consultancy and management services (including consultancy and management services on the construction, establishment, operation and maintenance of warehouses) to Alibaba Entities.

The terms offered by our Group to Alibaba Entities in respect of the relevant services are fair, reasonable and on normal commercial terms which are determined on an arm’s length basis and are no less favorable than the terms available to other independent third party customers for similar services. The warehouses owned by Alibaba Group and managed by our Group are used primarily to meet the internal warehousing needs within Alibaba Group and therefore the functions of such warehouses generally do not overlap with the functions of our Group’s other warehouses. Alibaba Group does not engage in the logistics real estate business. As such, it does not give rise to material competition issue with the warehouse operations of our Group.

4. Cloud Services Framework Agreement

Alibaba Cloud Computing Ltd. (“**Alibaba Cloud Computing**”, an affiliated consolidated entity of Alibaba) and/or its subsidiaries and associates provide to our Group public cloud computing services (including but not limited to elastic compute service (ECS, GPU etc), object storage service (OSS), content delivery network (CDN), open data processing service (ODPS), cloud communication products and other public cloud services), certain cloud related products (including cloud software and servers), technical services (including Internet data center services and network services) and message channeling services. The scope of products and services may be adjusted from time to time between the parties in writing to suit our Group’s business needs.

The rates and purchase prices for cloud computing services provided by Alibaba Cloud Computing are determined with reference to prevailing market rates for similar and comparable services or products, including the rates and unit prices for products and services provided by Alibaba Cloud Computing and its subsidiaries and associates to independent third parties and the rates and unit prices charged by other cloud services providers.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

5. *Shared Services Framework Agreement*

Alibaba Entities provide to us certain back-office and administrative support and shared services, including but not limited to (i) office premises sharing and leasing; (ii) marketing services (including but not limited to the display of advertisements on various platforms and resources of Alibaba Group and the promotion of our services through the *Cainiao Post* network); (iii) certain human resources services (including the sharing of payroll and personnel management services for staff in certain non-key jurisdictions of our Group); and (iv) information technology services and other shared services.

The rent payable for office premises sharing and leasing will be determined with reference to prevailing market rates for rental of similar properties in nearby locations. The fees payable for other shared services will be determined based on usage volume and service fees rate as agreed by the parties. These shared services provided by Alibaba Group to our Group only relate to the peripheral aspects of our Group's business operations and can be replicated by our Group or replaced by other comparable premises and services providers available in the market.

6. *Supply Chain Solutions and Logistics Services Framework Agreements*

Our Group provides integrated supply chain solutions and other logistics services (including but not limited to warehouse operation and storage services, domestic and international transportation and delivery services and other related ancillary services) to Alibaba Entities.

The terms offered by our Group to Alibaba Entities in respect of the relevant services are fair, reasonable and on normal commercial terms which are determined on an arm's length basis and are no less favorable than the terms available to other independent third party customers for similar services. The roles of Alibaba Group (as the operator of various e-commerce platforms) and of our Group (as the provider of supply chain solutions and logistics services) are highly complementary and beneficial to each other. Our Group is able to provide comprehensive related solutions and services in exchange of services fees to Alibaba Group as well as the users and merchants on their platforms and ensure a superior consumer experience.

Financial independence

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs. We have our own independent internal control and accounting systems and an independent finance department.

We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, there is a loan of RMB2.91 billion owed by our Group to Alibaba Group under a credit facility granted by Alibaba Group dated December 7, 2021 (the “**Related Loan**”). We will fully repay or settle the outstanding amounts of the Related Loan before the [REDACTED]. Upon [REDACTED], there will be no financial assistance, security and/or guarantee against obligations under any loan provided by our Controlling Shareholders or their associates in favor of our Group or vice-versa (as the case may be).

Based on the above, our Directors believe that our business is financially independent of our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the applicable provisions of the Corporate Governance Code (the “**Corporate Governance Code**”) in Appendix 14 to the Listing Rules, which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in protecting our Shareholders’ interests. We will adopt the following corporate governance measures to safeguard good corporate governance standards and to resolve actual or potential conflict of interests between our Group and our Controlling Shareholders:

- (a) our Articles provided that a Director shall not vote on (or be counted in the quorum in relation to) any resolution of the Board in respect of any contract or arrangement or any other proposal in which such Director or any of his/her close associates (or, if required by the Listing Rules, his other associates) has a material interest, and if such Director shall do so his vote shall not be counted and he shall not be counted in the quorum for such resolution;
- (b) our Company has established internal control mechanisms to identify connected transactions, and we will comply with the applicable Listing Rules if we enter into connected transactions with our Controlling Shareholders or any of their associates after [REDACTED];
- (c) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between our Group and our Controlling Shareholders (the “**Annual Review**”) (including review of the composition of the Board and consider whether the Board, in light of the management overlap and the matters requiring the overlapping Directors to abstain from voting, can maintain effective functioning) and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (d) our Controlling Shareholders will undertake to provide all information necessary or requested by the independent non-executive Directors for the Annual Review, including all relevant financial, operational and market information;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (e) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expense;
- (f) we have appointed CITIC Securities (Hong Kong) Limited as our compliance adviser for the period prescribed by the Listing Rules to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and
- (g) we have established our audit committee, remuneration committee and nomination committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code.

Based on the above, our Directors believe that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders' interests after the [REDACTED].

CONNECTED TRANSACTIONS

Upon [REDACTED], transactions between us and our connected persons will constitute our connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

We have entered into certain transactions with the following connected persons, which will constitute our continuing connected transactions upon [REDACTED]:

Name	Connected Relationship
Alibaba, its subsidiaries and associates (the "Alibaba Entities"), including but not limited to Zhejiang Yizhan and Zhejiang Danniao (together, our "Connected Subsidiaries")	Alibaba is our Controlling Shareholder within the meaning under the Listing Rules. Zhejiang Yizhan is our non wholly-owned subsidiary held by our Company as to 51%, Alibaba Group as to 16.77% and other shareholders as to 32.23%. Zhejiang Yizhan is therefore our connected subsidiary under Rule 14A.16 of the Listing Rules. Zhejiang Danniao is our non wholly-owned subsidiary held by our Company as to 80.49% and Alibaba Group as to 19.51%. Zhejiang Danniao is therefore our connected subsidiary under Rule 14A.16 of the Listing Rules.
BEST Logistics Technologies (China) Co., Ltd ("BEST Logistics")	BEST Logistics is a wholly-owned subsidiary of BEST Inc., in which Alibaba exercises over 30% of its voting rights. Accordingly, BEST Logistics is an associate of Alibaba.
Mr. Qiang LI and Ms. Hong LIU	Each of Mr. Qiang LI and Ms. Hong LIU is a substantial shareholder of each of our Consolidated Affiliated Entities.

CONNECTED TRANSACTIONS

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Transactions	Applicable Listing Rules	Waiver Sought	Proposed annual caps for the year ending March 31,		
			2024	2025	2026
<i>(RMB'000)</i>					
Fully exempt continuing connected transaction					
1. IP Licensing Agreement	14A.34, 14A.52, 14A.53 and 14A.76(1)	N/A	N/A	N/A	N/A
Partially exempt continuing connected transactions					
2. Advertisement and Promotional Services Framework Agreements	14A.34, 14A.35, 14A.76 and 14A.105	Announcement requirement	1,400,000	1,500,000	1,620,000
3. Technical Services Framework Agreements	14A.34, 14A.35, 14A.76 and 14A.105	Announcement requirement	1,340,000	1,480,000	1,660,000
4. Warehouse Consultancy and Management Cooperation Agreement	14A.34, 14A.35, 14A.52, 14A.76 and 14A.105	Announcement requirement	200,000	200,000	200,000
5. Cloud Services Framework Agreement	14A.34, 14A.35, 14A.76 and 14A.105	Announcement requirement	1,250,000	1,350,000	1,500,000
6. Shared Services Framework Agreement	14A.34, 14A.35, 14A.76 and 14A.105	Announcement requirement	1,250,000	1,350,000	1,500,000
7. Freight Delivery Services Agreement	14A.34, 14A.35, 14A.76 and 14A.105	Announcement requirement	100,000	N/A	N/A
8. Contractual Arrangements	14A.34, 14A.35, 14A.49, 14A.52, 14A.53, 14A.71, 14A.101 and 14A.105	Requirements as to announcement, annual cap, and limiting the term to three years	N/A	N/A	N/A
Non-exempt continuing connected transactions					
9. Supply Chain Solutions and Logistics Services Framework Agreements	14A.34, 14A.35, 14A.36, 14A.49, 14A.53 to 14A.59, 14A.71 and 14A.105	Requirements as to announcement, circular and independent shareholders' approval requirements	38,300,000	44,400,000	51,400,000

CONNECTED TRANSACTIONS

Transactions	Applicable Listing Rules	Waiver Sought	Proposed annual caps for the year ending March 31,		
			2024	2025	2026
				<i>(RMB'000)</i>	
10. Express Delivery Services Framework Agreements	14A.34, 14A.35, 14A.36, 14A.49, 14A.53 to 14A.59, 14A.71 and 14A.105	Requirements as to announcement, circular and independent shareholders' approval requirements	14,500,000	16,300,000	18,100,000

FULLY EXEMPT CONTINUING CONNECTED TRANSACTION

1. IP Licensing Agreement

Principal terms

Our Company entered into an intellectual property licensing agreement (the “**IP Licensing Agreement**”) with Alibaba on August 31, 2017, pursuant to which Alibaba Group and our Group will share the use of certain intellectual properties underlying certain software and technologies used in their respective business operations (including software copyrights, patents and know-how) (the “**Licensed IP Rights**”) on a non-exclusive, perpetual and royalty-free basis. Our Group and Alibaba Group will use the Licensed IP Rights within the scope specified in the IP Licensing Agreement.

The IP Licensing Agreement also contains provisions relating to cooperation and coordination between Alibaba Group and us on various intellectual property matters, including the ownership and use of certain developments, technologies, software and copyrights jointly made or developed by Alibaba Group and us.

Period of agreement and termination clause

The term of the IP Licensing Agreement commenced on August 31, 2017 and remains valid until expiry of the Licensed IP Rights or until certain conditions as agreed and stipulated in the IP Licensing Agreement are no longer satisfied, whichever is earlier. Alibaba may terminate the IP Licensing Agreement if, amongst others, Alibaba is no longer the largest shareholder of our Company or Alibaba no longer holds, directly or indirectly, 30% or more of the equity interest in our Company.

As required by Rule 14A.52 of the Listing Rules, the period for the agreement for a continuing connected transaction must not exceed three years, except in cases where the nature of the transaction requires the agreement to be of a duration longer than three years. Our Directors (including our independent non-executive Directors) are of the view that the IP Licensing Agreement was entered into on normal commercial terms, and believe that it is normal business practice and in the interests of our Company and our Shareholders as a whole

CONNECTED TRANSACTIONS

for the term of the IP Licensing Agreement to be longer than three years, given (i) the nature of the Licensed IP Rights; (ii) the term provides certainty for us to use the Licensed IP Rights without interruption in the long run; and (iii) the long-term nature of the arrangement provides comfort that we would not be required to spend unnecessary time, costs and resources to negotiate the terms of use of the Licensed IP Rights, which would be financially, operationally and administrative burdensome. Having considered the nature of the IP Licensing Agreement and based on the research conducted by the Joint Sponsors, the Joint Sponsors are of the view that it is commercially justifiable and normal business practice for agreements of similar nature to have a term longer than three years.

Reasons for the transaction

Our Group has been using some of the software copyrights, patents and know-how owned by Alibaba in our business operations, while some of the software copyrights, patents and know-how owned by us will continue to be used in Alibaba’s business operations. The arrangement under the IP Licensing Agreement remains the most effective way for ensuring that both Alibaba Group and our Group may continue to use the Licensed IP Rights after [REDACTED]. Our Directors consider that the sharing and licensing of the Licensed IP Rights is necessary and complementary to both Alibaba Group and our Group and helps ensure the long-term development and continuity of Alibaba’s and our business.

Historical amounts

There were no historical amounts in respect of the IP Licensing Agreement for each of the years ended March 31, 2021, 2022 and 2023 and the three months ended June 30, 2023.

Listing Rules implications

As neither party is required to pay under the IP Licensing Agreement, the transaction under the IP Licensing Agreement constitutes a de minimis transaction and is fully exempt from the annual reporting, announcement, independent Shareholders’ approval and annual review requirements under Chapter 14A of the Listing Rules.

PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

2. Advertisement and Promotional Services Framework Agreements

Principal terms

Our Company entered into advertisement and promotional services framework agreements (the “**Advertisement and Promotional Services Framework Agreements**”) with certain Alibaba Entities on [●], pursuant to which our Group will provide Alibaba Entities with certain advertisement and promotional services utilizing the advertising resources operated and managed by our Group (including but not limited to the display of advertisements on our platforms such as the Cainiao App and mini program).

CONNECTED TRANSACTIONS

The term of the Advertisement and Promotional Services Framework Agreements will commence on the [REDACTED] and will end on March 31, 2026, subject to renewal upon the mutual consent of both parties (which will be subject to compliance with the requirements under Chapter 14A of the Listing Rules).

Reasons for the transactions

Due to demand from the customers of Alibaba, namely the merchants on the platforms of Alibaba, to display advertisements and promote their products or services utilizing certain existing resources of our Group, it is mutually beneficial for our Group and Alibaba Group to make use of our existing resources for the purpose of better promoting the services and product offerings (including placing advertisements on our platforms such as the Cainiao App and mini program) of Alibaba Entities and its customers in exchange for service fees.

Pricing policies

The fees payable by Alibaba Entities to us under the Advertisement and Promotional Services Framework Agreements will be determined with reference to a percentage of the revenue received by Alibaba Entities for the advertisement and promotional services provided to their customers. Such percentage will be determined with reference to the prevailing market rates and types of advertisements involved, as well as the fees charged to independent third parties by us for similar types of advertisements and promotion services.

Historical amounts

In respect of the advertisement and promotional services provided by our Group to Alibaba Entities, the historical amounts were approximately RMB858 million, RMB1,642 million, RMB1,179 million and RMB242 million for the years ended March 31, 2021, 2022 and 2023 and the three months ended June 30, 2023, respectively.

Annual caps

In respect of the Advertisement and Promotional Services Framework Agreements, the transaction amounts to be paid by Alibaba Entities to us for the three years ending March 31, 2026 shall not exceed the proposed annual caps as set out in the table below:

	Proposed annual caps for the year ending March 31,		
	2024	2025	2026
	<i>(RMB'000)</i>		
Transaction amount to be paid by Alibaba Entities to us	1,400,000	1,500,000	1,620,000

CONNECTED TRANSACTIONS

Basis of caps

In determining the above proposed annual caps, we have primarily considered (i) the historical transaction amounts during the Track Record Period under the existing advertisement and promotional services arrangements between our Group and Alibaba Entities; and (ii) the increased popularity and the expected increase in the number of users utilizing our logistics services through the Cainiao App and, as a result, the increased attractiveness of the Cainiao App as a platform for placing advertisements.

Listing Rules implications

In respect of the transactions contemplated under the Advertisement and Promotional Services Framework Agreements, as the highest applicable percentage ratio in respect of the highest annual cap for the three years ending March 31, 2026 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 0.1%, but less than 5% on an annual basis, such transactions will, upon [REDACTED], constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

3. Technical Services Framework Agreements

Principal terms

Our Company entered into technical services framework agreements (the “**Technical Services Framework Agreements**”) with certain Alibaba Entities (including Zhejiang Yizhan) on [●], pursuant to which our Group will provide hardware and software technical support services including (i) logistics-related technical services to Zhejiang Yizhan, and (ii) e-waybill services, logistics data processing technical services and other digital supply chain related technical services to Alibaba Entities.

The term of the Technical Services Framework Agreements will commence on the [REDACTED] and will end on March 31, 2026, subject to renewal upon the mutual consent of both parties (which will be subject to compliance with the requirements under Chapter 14A of the Listing Rules).

Reasons for the transactions

Given that Alibaba Group enjoys a leading position in the PRC’s e-commerce industry with an extensive customer and user base with diverse needs, it is commercially sensible for and in the interests of our Group to cooperate with Alibaba Group and provide the logistics-related technical support services needed for its operation (which fall within the expertise of our Group) in exchange for service fees.

CONNECTED TRANSACTIONS

Further, given that Zhejiang Yizhan mainly operates the *Cainiao Post* solution, which connects and integrates a large number of third-party operated “pick-up, drop-off” stations and smart lockers into our logistics network, Zhejiang Yizhan requires logistics-related technical services to enhance its operating efficiency and to offer a digital and seamless experience to *Cainiao Post* operators. We believe that it is in the interests of our Group and our Shareholders as a whole to enter into the Technical Services Framework Agreements to provide Zhejiang Yizhan with logistics-related technical support services to support our *Cainiao Post* solution.

Pricing policies

The fees payable by Alibaba Entities to us under the Technical Services Framework Agreements will be determined with reference to the prevailing market rates based on various factors, including but not limited to, the number of man days deployed and the usage volume of the hardware and software technical support services.

Historical amounts

In respect of the technical services provided by us to Alibaba Entities, the historical amounts were approximately RMB746 million, RMB952 million, RMB938 million and RMB267 million for the years ended March 31, 2021, 2022 and 2023 and the three months ended June 30, 2023, respectively.

Annual caps

In respect of the Technical Services Framework Agreements, the transaction amounts to be paid by Alibaba Entities to us for the three years ending March 31, 2026 shall not exceed the proposed annual caps as set out in the table below:

	Proposed annual caps for the year ending March 31,		
	2024	2025	2026
	(RMB'000)		
Transaction amount to be paid by Alibaba Entities (including Zhejiang Yizhan) to us . . .	1,340,000	1,480,000	1,660,000

Basis of caps

In determining the above proposed annual caps, we have primarily considered (i) the historical transaction amounts during the Track Record Period under the existing technical services arrangements between our Group and Alibaba Entities; and (ii) the expected increase in the business volume of Alibaba Entities (including Zhejiang Yizhan) and the expansion of their customer base considering the projected growth rate of the overall e-commerce market in China and the global cross-border e-commerce market, which is expected to result in an increase in the demand for warehouse facilities, fulfillment facilities and other digital supply chain solutions, and consequently their needs for our technical services.

CONNECTED TRANSACTIONS

Listing Rules implications

In respect of the transactions contemplated under the Technical Services Framework Agreements, as the highest applicable percentage ratio in respect of the highest annual cap for the three years ending March 31, 2026 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 0.1%, but less than 5% on an annual basis, such transactions will, upon [REDACTED], constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

4. Warehouse Consultancy and Management Cooperation Agreement

Principal terms

Our Company entered into a cooperation agreement on January 8, 2020 (as supplemented by a supplemental agreement dated August 24, 2021, the "**Warehouse Consultancy and Management Cooperation Agreement**") with Alibaba WLCC Holding Limited (Cayman), a subsidiary of Alibaba, pursuant to which our Group will provide warehouse consultancy and management services (including consultancy and management services on the construction, establishment, operation and maintenance of warehouses) to Alibaba Entities.

The Warehouse Consultancy and Management Cooperation Agreement has a term of 10 years and, unless terminated earlier, will expire on January 7, 2030. The term is automatically renewable upon expiry for an additional five years (which will be subject to compliance with the requirements under Chapter 14A of the Listing Rules) unless either party gives a non-renewal notice.

As required by Rule 14A.52 of the Listing Rules, the period for the agreement for a continuing connected transaction must not exceed three years, except in cases where the nature of the transaction requires the agreement to be of a duration longer than three years. Our Directors (including our independent non-executive Directors) are of the view that the Warehouse Consultancy and Management Cooperation Agreement was entered into on normal commercial terms, and believe that it is normal business practice and in the interests of our Company and our Shareholders as a whole for the term of the Warehouse Consultancy and Management Cooperation Agreement to be longer than three years, given (i) the nature of such consultancy and management services, which does not only provide warehouse management services, but also provide oversight in multiple stages of the warehouse development projects (including site selection, establishing detailed construction schedule and obtaining the relevant land titles and property certificates); and (ii) the time required for the construction and development of all warehouses in an entire project often takes up to four to five years, while it is normal market practice for management services provided to developed warehouses upon their completion to have a term of at least three years. Having considered the nature of the

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Warehouse Consultancy and Management Cooperation Agreement and based on the research conducted by the Joint Sponsors, the Joint Sponsors are of the view that it is commercially justifiable and normal business practice for agreements of similar nature to have a term longer than three years.

Reasons for the transactions

Given that our Group enjoys a leading position in logistics warehouse investment, construction and management in China, while Alibaba Group does not have the relevant expertise, it is commercially sensible for and in the interests of our Group to provide warehouse consultancy and management services to Alibaba Entities to satisfy their operational needs, in exchange for service fees.

Pricing policies

The fees payable by Alibaba Entities to us under the Warehouse Consultancy and Management Cooperation Agreement will be determined with reference to the prevailing market rates, based on a percentage of (i) pre-agreed land cost; (ii) project construction costs; (iii) total assets costs; (iv) monthly rental income of the warehouses; and (v) annual operational outcome of the warehouses. The parties may also negotiate in good faith for price adjustments when there are changes in external environmental factors or market practice.

Historical amounts

In respect of the warehouse consultancy and management services provided by us to Alibaba Entities, the historical amounts were approximately RMB146 million, RMB149 million, RMB124 million and RMB19 million for the years ended March 31, 2021, 2022 and 2023 and the three months ended June 30, 2023, respectively.

Annual caps

In respect of the Warehouse Consultancy and Management Cooperation Agreement, the transaction amounts to be paid by Alibaba Entities to us for the three years ending March 31, 2026 shall not exceed the proposed annual caps as set out in the table below:

	Proposed annual caps for the year ending March 31,		
	2024	2025	2026
	<i>(RMB'000)</i>		
Transaction amount to be paid by Alibaba Entities to us	200,000	200,000	200,000

CONNECTED TRANSACTIONS

Basis of caps

In determining the above proposed annual caps, we have primarily considered (i) the anticipated construction schedule and progress of the existing warehouse projects; (ii) the types of consultancy and management services required under the existing warehouse consultancy and management services arrangements between our Group and Alibaba Entities; and (iii) the future project pipelines and the future business and strategic plans between our Group and Alibaba Group (including the expected demand for warehouses to satisfy the operational needs of Alibaba Group).

Listing Rules implications

In respect of the transactions contemplated under the Warehouse Consultancy and Management Cooperation Agreement, as the highest applicable percentage ratio in respect of the highest annual cap for each of the three years ending March 31, 2026 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 0.1%, but less than 5% on an annual basis, such transactions will, upon [REDACTED], constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

5. Cloud Services Framework Agreement

Principal terms

Our Company entered into a cloud services framework agreement (the “**Cloud Services Framework Agreement**”) with Alibaba Cloud Computing Ltd. (“**Alibaba Cloud Computing**”, an affiliated consolidated entity of Alibaba) on [●], pursuant to which Alibaba Cloud Computing will provide and/or cause its subsidiaries and associates to provide public cloud computing services (including but not limited to elastic compute service (ECS, GPU etc), object storage service (OSS), content delivery network (CDN), open data processing service (ODPS), cloud communication products and other public cloud services), certain cloud related products (including cloud software and servers), technical services (including Internet data center services and network services) and message channeling services. The scope of products and services may be adjusted from time to time between the parties in writing to suit our Group’s business needs.

The term of the Cloud Services Framework Agreement will commence on the [REDACTED] and will end on March 31, 2026, and is automatically renewable upon expiry for additional three years (which will be subject to compliance with the requirements under Chapter 14A of the Listing Rules) unless either party gives a non-renewal notice.

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Reasons for the transactions

Taking into account (i) Alibaba Cloud Computing’s leading position in the cloud services sector in China and (ii) the efficient and reliable cloud services that Alibaba Cloud Computing has been providing to our Group, it is commercially sensible for and in the interests of our Group to continue to procure these cloud services from Alibaba Cloud Computing.

Pricing policies

The fees payable by us under the Cloud Services Framework Agreement will be determined by applying the agreed fee rates or per unit purchase prices over the transaction volumes for services or products provided by Alibaba Cloud Computing to us. The fee rates or per unit purchase prices will be determined with reference to prevailing market rates for similar and comparable services or products, including the rates and unit prices for products and services provided by Alibaba Cloud Computing and its subsidiaries and associates to independent third parties and the rates and unit prices charged by other cloud services providers.

Historical amounts

In respect of the cloud services provided by Alibaba Cloud Computing to us, the historical amounts were approximately RMB732 million, RMB1,029 million, RMB1,021 million and RMB252 million for the years ended March 31, 2021, 2022 and 2023 and the three months ended June 30, 2023, respectively.

Annual caps

In respect of the Cloud Services Framework Agreement, the transaction amounts to be paid by us for the three years ending March 31, 2026 shall not exceed the proposed annual caps as set out in the table below:

	Proposed annual caps for the year ending March 31,		
	2024	2025	2026
	<i>(RMB'000)</i>		
Transaction amount to be paid by us to			
Alibaba Cloud Computing and its subsidiaries and associates	1,250,000	1,350,000	1,500,000

Basis of caps

In determining the above proposed annual caps, we have primarily considered (i) the historical transaction amounts during the Track Record Period under the existing cloud services arrangements between our Group and Alibaba Cloud Computing; (ii) our Group’s business

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planning, and consequently the business needs for cloud services within our Group; and (iii) the expected increase in demand for cloud products and services due to (a) the expected growth in our customer base and (b) the transaction volume on our platform.

Listing Rules implications

In respect of the transactions contemplated under the Cloud Services Framework Agreement, as the highest applicable percentage ratio in respect of the highest annual cap for the three years ending March 31, 2026 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 0.1%, but less than 5% on an annual basis, such transactions will, upon [REDACTED], constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

6. Shared Services Framework Agreement

Principal terms

Our Company entered into a shared services framework agreement (the “**Shared Services Framework Agreement**”) with Alibaba.com China Limited (“**Alibaba China**”), a wholly-owned subsidiary of Alibaba, on [●], pursuant to which Alibaba China will provide and/or cause its subsidiaries and associates to provide to our Group certain back-office and administrative support and shared services, including but not limited to (i) office premises sharing and leasing; (ii) marketing services (including but not limited to the display of advertisements on various platforms and resources of Alibaba Group and the promotion of our services through the *Cainiao Post* network); (iii) certain human resources services (including the sharing of payroll and personnel management services for staff in certain non-key jurisdictions of our Group); and (iv) information technology services and other shared services.

The term of the Shared Services Framework Agreement will commence on the [REDACTED] and will end on March 31, 2026, subject to renewal upon the mutual consent of both parties (which will be subject to compliance with the requirements under Chapter 14A of the Listing Rules).

Reasons for the transactions

The services provided under the Shared Services Framework Agreement may help enhance utilization and economies of scale of Alibaba Group’s operational support resources, which in turn, reduces the administrative costs of our Group in procuring similar services from a wide range of other providers. The Shared Services Framework Agreement will allow our Group to better leverage on the mature infrastructure and resources already built by Alibaba Group. In addition, given that Zhejiang Yizhan mainly operates *Cainiao Post* network, which is the largest digital “pick-up, drop-off” network in the world according to CIC, it is in the interest of our Group and our Shareholders as a whole to make use of the existing resources of *Cainiao Post* network to better promote our services and product offerings.

CONNECTED TRANSACTIONS

Pricing policies

The rent payable for office premises sharing and leasing will be determined with reference to prevailing market rates for rental of similar properties in nearby locations. The fees payable for other shared services will be determined based on usage volume and service fees rate as agreed by the parties.

Historical amounts

In respect of the shared services provided by Alibaba China and its subsidiaries and associates to us, the historical amounts were approximately RMB909 million, RMB1,175 million, RMB1,005 million and RMB265 million for the years ended March 31, 2021, 2022 and 2023 and the three months ended June 30, 2023, respectively.

Annual caps

In respect of the Shared Services Framework Agreement, the transaction amounts to be paid by us to Alibaba China and its subsidiaries and associates for the three years ending March 31, 2026 shall not exceed the proposed annual caps as set out in the table below:

	Proposed annual caps for the year ending March 31,		
	2024	2025	2026
	<i>(RMB'000)</i>		
Transaction amount to be paid by us to Alibaba China and its subsidiaries and associates (including Zhejiang Yizhan)	1,250,000	1,350,000	1,500,000

Basis of caps

In determining the above proposed annual caps, we have primarily considered (i) the historical transaction amounts and the trend during the Track Record Period under the existing shared services arrangements between our Group and Alibaba China and its subsidiaries and associates; and (ii) the ratio of shared services fees to our Company’s total expenses during the Track Record Period.

Listing Rules implications

In respect of the transactions contemplated under the Shared Services Framework Agreement, as the highest applicable percentage ratio in respect of the highest annual cap for the three years ending March 31, 2026 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 0.1%, but less than 5% on an annual basis, such transactions will, upon [REDACTED], constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

CONNECTED TRANSACTIONS

7. Freight Delivery Services Agreement

Principal terms

Our Company entered into a transportation services cooperation agreement (the “**Freight Delivery Services Agreement**”) with BEST Logistics on April 14, 2023, pursuant to which BEST Logistics will provide to our Group certain freight delivery services, including line-haul transportation.

The term of the Freight Delivery Services Agreement commenced on April 16, 2023 and will end on March 31, 2024. The Freight Delivery Services Agreement will be automatically renewed for three months if we continue to procure freight delivery services from BEST Logistics (which will be subject to compliance with the requirements under Chapter 14A of the Listing Rules).

Reasons for the transactions

As BEST Logistics specializes in transporting goods for business-to-business sellers generally weighing 15kg or more, it is commercially sensible and mutually beneficial for BEST Logistics to cooperate with our Group and provide freight delivery services, in exchange for service fees.

Pricing policies

The fees payable by us to BEST Logistics under the Freight Delivery Services Agreement will be determined with reference to the prevailing market rates, based on product specifications (including type, weight and size) and delivery route (taking into account distance and location).

Historical amounts

In respect of the freight delivery services provided by BEST Logistics to us, the historical amounts were approximately nil, RMB2 million, RMB45 million and RMB19 million for the years ended March 31, 2021, 2022 and 2023 and the three months ended June 30, 2023, respectively.

CONNECTED TRANSACTIONS

Annual caps

In respect of the Freight Delivery Services Agreement, the transaction amount to be paid by us to BEST Logistics for the year ending March 31, 2024 shall not exceed the proposed annual caps as set out in the table below:

	Proposed annual cap for the year ending March 31, 2024
	<i>(RMB'000)</i>
Transaction amount to be paid by us to BEST Logistics	100,000

Basis of caps

In determining the above proposed annual caps, we have primarily considered (i) the historical transaction amounts during the Track Record Period under the existing freight delivery services arrangements between our Group and BEST Logistics; and (ii) our business demand for freight delivery services provided by BEST Logistics.

Listing Rules implications

In respect of the transactions contemplated under the Freight Delivery Services Agreement, as the highest applicable percentage ratio in respect of the annual cap for the year ending March 31, 2024 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 0.1%, but less than 5% on an annual basis, such transactions will, upon [REDACTED], constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

8. Contractual Arrangements

Background

As disclosed in the section headed “Contractual Arrangements” in this document, due to regulatory restrictions on foreign ownership and other legal restrictions in the PRC, we conduct a portion of our business through our Consolidated Affiliated Entities, namely Hangzhou Yuehu, Hangzhou Chaohu and VIE Entity, in the PRC. We do not hold any equity interests in our Consolidated Affiliated Entities. The registered shareholders of our Consolidated Affiliated Entities are Mr. Qiang LI and Ms. Hong LIU. The Contractual Arrangements among Zhejiang Cainiao, the Consolidated Affiliated Entities and the Registered Shareholders enable us to (i) receive all of the economic benefits from the Consolidated Affiliated Entities in consideration

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for the services provided by Zhejiang Cainiao; (ii) exercise effective control over our Consolidated Affiliated Entities; and (iii) hold an exclusive option to purchase all or part of the equity interests and assets of our Consolidated Affiliated Entities when and to the extent permitted by PRC laws.

See “Contractual Arrangements” in this document for detailed terms of the Contractual Arrangements.

Listing Rules implications

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon [REDACTED] as certain parties to the Contractual Arrangements, namely Mr. Qiang LI and Ms. Hong LIU, are connected persons of our Company. Each of Mr. Qiang LI and Ms. Hong LIU holds, directly or indirectly, 50% of the equity interests in each of our Consolidated Affiliated Entities. Accordingly, each of Mr. Qiang LI and Ms. Hong LIU is a substantial shareholder of each of our Consolidated Affiliated Entities, and therefore a connected person of our Company at the subsidiary level.

Our Directors (including the independent non-executive Directors) (i) have approved the Contractual Arrangements and the transactions contemplated thereunder, and (ii) have confirmed that the terms of the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interests of our Company and our Shareholders as a whole. As such, pursuant to Rule 14A.101 of the Listing Rules, the transactions contemplated under the Contractual Arrangements (which are continuing connected transactions between our Group and connected persons at the subsidiary level) are subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules, but are exempt from the circular, independent financial advice and Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group’s legal structure and business, and such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by any of our Consolidated Affiliated Entities and any member of our Group (“**New Intergroup Agreements**” and each of them, a “**New Intergroup Agreement**”) technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such

CONNECTED TRANSACTIONS

transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, (i) the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, (ii) the announcement requirement under Rule 14A.35 of the Listing Rules, (iii) the requirement of setting an annual cap for the transactions under Rule 14A.53 of the Listing Rules, and (iv) the requirement of limiting the term to three years or less under Rule 14A.52 of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

9. Supply Chain Solutions and Logistics Services Framework Agreements

Principal terms

Our Company entered into supply chain solutions and logistics services framework agreements (the “**Supply Chain Solutions and Logistics Services Framework Agreements**”) with certain Alibaba Entities (including Zhejiang Danniao) on [●], pursuant to which our Group will provide integrated supply chain solutions and other logistics services (including but not limited to, warehouse operation and storage services, domestic and international transportation and delivery services and other related ancillary services) to Alibaba Entities.

The term of the Supply Chain Solutions and Logistics Services Framework Agreements will commence on the [REDACTED] and will end on March 31, 2026, subject to renewal upon the mutual consent of both parties (which will be subject to compliance with the requirements under Chapter 14A of the Listing Rules).

Reasons for the transactions

The roles of Alibaba Group (as the operator of various e-commerce platforms) and our Group (as the provider of supply chain solutions and logistics services) are highly complementary and beneficial to each other. Given that Alibaba enjoys a leading position in the PRC’s e-commerce industry with an extensive customer base and AliExpress has introduced their new *Choice* service in the first quarter of 2023, it is commercially sensible for and in the interests of our Group to provide Alibaba Group with supply chain solutions and logistics services and to support the new *Choice* service, in exchange for service fees. From the perspective of Alibaba Group, given our Group’s leading position in providing supply chain solutions and logistics services, we are able to provide comprehensive related solutions and services to Alibaba Group to ensure superior consumer experience. Therefore, it is mutually beneficial for our Group and Alibaba Group to enter into the Supply Chain Solutions and Logistics Services Framework Agreements.

In addition, as Zhejiang Danniao mainly supports our express delivery services in China, we believe it is in the interests of our Group and our Shareholders to enter into the Supply Chain Solutions and Logistics Services Framework Agreements which allow Zhejiang Danniao to better leverage on our warehouse operation, storage and transportation services.

CONNECTED TRANSACTIONS

Pricing policies

The fees payable by Alibaba Entities to us under the Supply Chain Solutions and Logistics Services Framework Agreements will be determined with reference to (i) the range of applicable price charged to independent third parties for similar and comparable supply chain solutions and logistics services; and (ii) the prevailing market rates based on product specifications (including type, weight and size), delivery route (taking into account distance and location), and mode of transport and delivery. The parties may also negotiate in good faith for price adjustments when there are changes in external environmental factors or market practice.

Historical amounts

In respect of the supply chain solutions and logistics services provided by us to Alibaba Entities, the historical amounts were approximately RMB14,782 million, RMB19,255 million, RMB21,242 million and RMB6,760 million for the years ended March 31, 2021, 2022 and 2023 and the three months ended June 30, 2023, respectively.

Annual caps

In respect of the Supply Chain Solutions and Logistics Services Framework Agreements, the transaction amounts to be paid by Alibaba Entities to us for the three years ending March 31, 2026 shall not exceed the proposed annual caps as set out in the table below:

	Proposed annual caps for the year ending March 31,		
	2024	2025	2026
	<i>(RMB'000)</i>		
Transaction amount to be paid by Alibaba Entities (including Zhejiang Danniao) to us	38,300,000	44,400,000	51,400,000

Basis of caps

In determining the above proposed annual caps, we have primarily considered (i) the historical transaction amounts and the growth trend during the Track Record Period under the existing supply chain solutions and logistics services arrangements between our Group and Alibaba Entities; (ii) the growth prospect of the global cross-border e-commerce logistics market and the overall e-commerce market in China, thus generating more demand for our supply chain solutions and logistics services; and (iii) the launch of a new *Choice* service by AliExpress during the first quarter of 2023, which offers global consumers a curated selection of great value products across an extensive range of categories, has significantly increased AliExpress' demand for our international delivery services and supply chain services.

CONNECTED TRANSACTIONS

Listing Rules implications

In respect of the transactions contemplated under the Supply Chain Solutions and Logistics Services Framework Agreements, as the highest applicable percentage ratio in respect of the highest annual cap for the three years ending March 31, 2026 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 5% on an annual basis, such transactions will, upon [REDACTED], constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules and the independent Shareholders’ approval requirement under Rule 14A.36 of the Listing Rules.

10. Express Delivery Services Framework Agreements

Principal terms

Our Company entered into express delivery services framework agreements (the “**Express Delivery Services Framework Agreements**”) with Zhejiang Danniao and Zhejiang Yizhan on [●], pursuant to which (i) Zhejiang Danniao will provide to our Group certain premium express delivery services in China; and (ii) Zhejiang Yizhan will provide to our Group pick-up services for *Cainiao Guoguo*.

The term of the Express Delivery Services Framework Agreements will commence on the [REDACTED] and will end on March 31, 2026, subject to renewal upon the mutual consent of both parties (which will be subject to compliance with the requirements under Chapter 14A of the Listing Rules).

Reasons for the transactions

Our Company is of the view that the transactions contemplated under the Express Delivery Services Framework Agreements are in the interests of our Group and our Shareholders as a whole, given (i) our Group has clear requirements for express delivery services in terms of timing, quality and doorstep services, and Zhejiang Danniao is able to provide express delivery services satisfying such requirements; and (ii) our Group can also leverage on the geographical advantage of *Cainiao Post*, which is supported by Zhejiang Yizhan, to provide pick-up services for *Cainiao Guoguo*.

Pricing policies

The fees payable by us to Zhejiang Danniao and Zhejiang Yizhan under the Express Delivery Services Framework Agreements will be determined with reference to the prevailing market rates, based on delivery services involved, parcel size and weight, delivery speed and delivery distance. The parties may also negotiate in good faith for price adjustments when there are changes in external environmental factors or market practice.

CONNECTED TRANSACTIONS

WAIVERS GRANTED BY THE STOCK EXCHANGE

Application of Waiver in respect of the Advertisement and Promotional Services Framework Agreements, the Technical Services Framework Agreements, the Warehouse Consultancy and Management Cooperation Agreement, the Cloud Services Framework Agreement, the Shared Services Framework Agreement and Freight Delivery Services Agreement

In respect of each of the Advertisement and Promotional Services Framework Agreements, the Technical Services Framework Agreements, the Warehouse Consultancy and Management Cooperation Agreement, the Cloud Services Framework Agreement, the Shared Services Framework Agreement and the Freight Delivery Services Agreement, as the highest applicable percentage ratio is expected to be 0.1% or more but less than 5%, the transactions contemplated thereunder are exempt from the circular (including the opinion and recommendation from an independent financial adviser) and the independent Shareholders' approval requirements, but are subject to the announcement requirements under Rule 14A.35 of the Listing Rules and the annual reporting requirements under Rules 14A.49 and 14A.71 of the Listing Rules.

We have applied to the Stock Exchange for[, and the Stock Exchange has granted us,] a waiver pursuant to Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules in respect of these transactions, provided that the transaction amount involved for each of the three years ending March 31, 2026 will not exceed the relevant proposed annual caps above.

Application of Waiver in respect of the Contractual Arrangements

In respect of the Contractual Arrangements, we have applied to the Stock Exchange for[, and the Stock Exchange has granted us], a waiver from strict compliance with (i) the announcement requirement under Rule 14A.35 of the Listing Rules pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are [REDACTED] on the Stock Exchange, subject, however, to the following conditions:

(a) No change without independent non-executive Directors' approval

Save as described below, no change to the Contractual Arrangements (including with respect to any fees payable to Zhejiang Cainiao thereunder) will be made without the approval of our independent non-executive Directors.

CONNECTED TRANSACTIONS

(b) No change without independent Shareholders' approval

Save as described below, no change to the agreements governing the Contractual Arrangements will be made without independent Shareholders' approval. Once the independent Shareholders' approval of any change has been obtained, no further announcement or approval by the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will, however, continue to be applicable.

(c) Economic benefits and flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entities through (i) our Group's options (if and when so allowed under the applicable PRC laws) to acquire, all or part of the equity interests in the Consolidated Affiliated Entities, (ii) the business structure under which the profit generated by the Consolidated Affiliated Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Zhejiang Cainiao by our Consolidated Affiliated Entities under the Contractual Arrangements, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of the Consolidated Affiliated Entities.

(d) Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between, on the one hand, our Company and the subsidiaries in which our Company has shareholding and, on the other hand, the Consolidated Affiliated Entities, this framework may be renewed and/or reproduced without an announcement, circular, or obtaining the approval of our Shareholders (i) upon the expiry of the existing arrangements, (ii) in connection with any changes to the shareholders or directors of, or of their shareholdings in, the Consolidated Affiliated Entities, or (iii) in relation to any existing, new or acquired wholly foreign-owned enterprise or operating company (including branch company) engaging in a business similar or relating to those of our Group which our Group might wish to establish or acquire when justified by business expediency.

The directors, chief executive or substantial shareholders of any existing, new or acquired wholly foreign-owned enterprise or operating company (including branch company) engaging in a business similar or relating to those of our Group which our Group may establish or acquire will, upon renewal and/or reproduction of the Contractual Arrangements, be treated as connected persons of our Company and transactions between these connected persons and our Group other than those under similar Contractual Arrangements shall comply with Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

This condition is subject to relevant PRC laws, regulations and approvals. Any such renewed or reproduced agreements will be on substantially the same terms and conditions as the existing Contractual Arrangements.

(e) Ongoing reporting and approvals

We will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report and accounts in accordance with the relevant provisions of the Listing Rules.
- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report that for the relevant year (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and our Consolidated Affiliated Entities are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of our Company and our Shareholders as a whole.
- Our Company's auditors will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange, confirming that the transactions have been approved by our Board, have been entered into, in all material respects, in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of their equity interests which are not otherwise subsequently assigned or transferred to our Group.
- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", our Consolidated Affiliated Entities will be treated as our Company's subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of our Consolidated Affiliated Entities and their respective associates will be treated as connected persons of our Company (excluding, for this purpose, our Consolidated Affiliated Entities themselves), and therefore transactions between these connected persons and our Group (including, for this purpose, our Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

- Our Consolidated Affiliated Entities will, for so long as our Shares are [REDACTED] on the Stock Exchange, provide our Group's management and our Company's auditors with full access to their relevant records for the purpose of review of and reporting on the connected transactions.

In addition, we have also applied to the Stock Exchange for[, and the Stock Exchange has granted us,] a waiver from strict compliance with (i) the announcement requirement under Rule 14A.35 of the Listing Rules pursuant to Rule 14A.105 of the Listing Rules in respect of the transactions contemplated under any New Intergroup Agreements (as defined above), (ii) the requirement of setting an annual cap under Rule 14A.53 of the Listing Rules for the fees payable by/to any member of our Group to/from our Consolidated Affiliated Entities in any New Intergroup Agreements, and (iii) the requirement of limiting the term of any New Intergroup Agreement to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are [REDACTED] on the Stock Exchange. The waiver is subject to the conditions that:

- (1) the Contractual Arrangements subsist and that our Consolidated Affiliated Entities will continue to be treated as our Company's subsidiaries, but the directors, chief executives or substantial shareholders of our Consolidated Affiliated Entities and their respective associates will be treated as connected persons of our Company (excluding, for this purpose, our Consolidated Affiliated Entities), and therefore transactions between these connected persons and our Group (including, for this purpose, our Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules. We will comply with the applicable requirements under the Listing Rules; and
- (2) (i) our Directors will approve the New Intergroup Agreements and the transactions contemplated thereunder, and (ii) the independent non-executive Directors will confirm that the terms of the transactions contemplated under the New Intergroup Agreements are fair and reasonable, on normal commercial terms or better and in the interests of our Company and our Shareholders as a whole.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

Application of Waiver in respect of the Supply Chain Solutions and Logistics Services Framework Agreements and the Express Delivery Services Framework Agreements

In respect of the transactions contemplated under each of the Supply Chain Solutions and Logistics Services Framework Agreement and the Express Delivery Services Framework Agreements, as the highest applicable percentage ratio is expected to be more than 5%, the transactions contemplated thereunder are subject to the annual reporting requirement under

CONNECTED TRANSACTIONS

Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules and the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

As the above continuing connected transactions are expected to be carried out on a recurring basis, our Directors consider that strict compliance with the aforesaid announcement and independent Shareholders' approval requirements will be impractical, and such requirements will lead to unnecessary administrative costs and create an onerous burden on us. Accordingly, we have applied to the Stock Exchange for [, and the Stock Exchange has granted us,] a waiver pursuant to Rule 14A.105 of the Listing Rules from strict compliance with the announcement and independent Shareholders' approval requirements under Rules 14A.35 and 14A.36 of the Listing Rules in respect of these transactions, provided that the transaction amount involved for each of the three years ending March 31, 2026 will not exceed the relevant proposed annual caps above. Any material changes to the terms of these continuing connected transactions will be approved by independent Shareholders. The independent non-executive Directors and auditors of our Company will review annually whether these continuing connected transactions have been entered into pursuant to the principal terms and pricing policies under the relevant agreements as disclosed in this section pursuant to Rules 14A.55 to 14A.59 of the Listing Rules. The confirmation from our independent non-executive Directors and our auditors will be disclosed annually according to the requirements of the Listing Rules.

CONFIRMATION BY DIRECTORS

Our Directors (including the independent non-executive Directors) are of the view that:

- (a) the continuing connected transactions set out above have been and will be entered into in the ordinary and usual course of our business, on normal commercial terms or better, on terms that are fair and reasonable, and are in the interests of our Company and our Shareholders as a whole;
- (b) the proposed annual caps in respect of the partially exempt continuing connected transactions, the Supply Chain Solutions and Logistics Services Framework Agreements and the Express Delivery Services Framework Agreements set out above are fair and reasonable and in the interests of our Company and our Shareholders as a whole;
- (c) the term of the IP Licensing Agreement, which is longer than three years, is in the normal business practice of our Group and is in the interests of our Company and our Shareholders as a whole. It is normal business practice for the term of an intellectual property licensing agreement to be longer than three years given (i) the nature of the Licensed IP Rights; (ii) the term provides certainty for us to use the Licensed IP Rights without interruption in the long run; and (iii) the long-term nature of the arrangement provides comfort that we would not be required to spend unnecessary time, costs and resources to negotiate the terms of use of the Licensed IP Rights, which would be financially, operationally and administrative burdensome.

CONNECTED TRANSACTIONS

- (d) the term of the Warehouse Consultancy and Management Cooperation Agreement, which is longer than three years, is in the normal business practice of our Group and is in the interests of our Company and our Shareholders as a whole. It is normal business practice for the term of the Warehouse Consultancy and Management Cooperation Agreements to be longer than three years given (i) the nature of such consultancy and management services, which does not only provide warehouse management services but also provide oversight in multiple stages of the warehouse development projects (including site selection, designing and establishing detailed construction schedule and obtaining the relevant land titles and property certificates); and (ii) the time required for the construction, development and completion of all warehouses in an entire project often takes up to four to five years, while it is normal market practice for management services provided to developed warehouses upon their completion to have a term of at least three years; and
- (e) it is justifiable and normal business practice for the Contractual Arrangements and the continuing connected transactions contemplated thereunder to be of a term longer than three years.

CONFIRMATION FROM THE JOINT SPONSORS

Based on the documentation, information and data (including historical figures) provided by our Company, the representations and confirmations provided by our Company and our Directors to the Joint Sponsors, and participation in due diligence and discussions, the Joint Sponsors are of the view that:

- (a) the aforesaid continuing connected transactions for which a waiver has been sought have been entered into in the ordinary and usual course of our Company's business, on normal commercial terms or better, that are fair and reasonable, and are in the interests of our Company and our Shareholders as a whole;
- (b) the proposed annual caps in respect of the partially-exempt continuing connected transactions, the Supply Chain Solutions and Logistics Services Framework Agreements and the Express Delivery Services Framework Agreements set out above are fair and reasonable and in the interests of our Company and our Shareholders as a whole;
- (c) it is in the normal business practice of our Company and in the interests of our Company and our Shareholders as a whole to enter into the IP Licensing Agreement with a term longer than three years;
- (d) it is in the normal business practice of our Company and in the interests of our Company and our Shareholders as a whole to enter into the Warehouse Consultancy and Management Cooperation Agreement with a term longer than three years; and
- (e) it is normal practice for the Contractual Arrangements to be of a term longer than three years.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board comprises eight Directors, including two executive Directors, three non-executive Directors and three independent non-executive Directors. The following sets forth certain information regarding our Directors:

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Roles and responsibilities
Mr. Joseph C. TSAI (蔡崇信)	59	December 2015	May 12, 2023	Non-executive Director and Chairman of our Board	Providing professional opinion and judgment to our Board; convening Board meetings and supervising the implementation of Board resolutions; chairperson of our Nomination Committee and member of our Audit Committee and Remuneration Committee
Ms. Shan DAI (戴珊)	47	May 2023	May 12, 2023	Non-executive Director	Providing professional opinion and judgment to our Board
Mr. Fan JIANG (蔣凡)	38	May 2023	May 12, 2023	Non-executive Director	Providing professional opinion and judgment to our Board
Mr. Lin WAN (萬霖)	48	June 2014	October 17, 2017	Executive Director and Chief Executive Officer	Supervising overall operations, management, strategic planning and business development of our Group
Mr. Zheng LIU (劉政)	45	February 2016	September 18, 2023	Executive Director and Chief Financial Officer	Supervising overall operations and management of our Group; overseeing overall financial operations, financing and investment activities, legal and compliance issues of our Group
Mr. Johnny CHEN (陳志宏)	63	[●]	[●]	Independent non-executive Director	Supervising and providing independent judgment to our Board; chairperson of our Audit Committee and member of our Nomination Committee

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Roles and responsibilities
Mr. Danny Tsui-Yuen CHIU	57	[●]	[●]	Independent non-executive Director	Supervising and providing independent judgment to our Board; chairperson of our Remuneration Committee and member of our Audit Committee
Ms. Junhong CHU (楚軍紅)	53	[●]	[●]	Independent non-executive Director	Supervising and providing independent judgment to our Board; member of our Remuneration Committee and Nomination Committee

DIRECTORS

Executive Directors and Non-executive Directors

Mr. Joseph C. TSAI (蔡崇信), aged 59, is our non-executive Director and the chairman of our Board.

Mr. Tsai has served as our Director since May 2023. He is co-founder and chairman of Alibaba (NYSE: BABA; HKEX: 9988) and has served on its board of directors since its inception in 1999. Mr. Tsai was Alibaba’s chief operating officer until October 2000, chief financial officer until May 2013 and executive vice chairman until September 2023. Mr. Tsai is a founding member of the Alibaba Partnership. He is also a board member of Taobao and Tmall Group, and a board member of Ant Group.

From 1995 to 1999, Mr. Tsai was a private equity investor in Asia for Investor AB of Sweden’s Wallenberg family. Prior to that, from 1993, he was the general counsel of Rosecliff, Inc., a management buyout firm based in New York. From 1990 to 1993, Mr. Tsai was an associate attorney in the tax group of Sullivan & Cromwell LLP, a New York-based international law firm.

Mr. Tsai received his bachelor’s degree in economics and East Asian studies from Yale College in the United States in May 1986 and a juris doctor degree from Yale Law School in the United States in June 1990. Mr. Tsai is qualified to practice law in the State of New York.

Ms. Shan DAI (戴珊), aged 47, is our non-executive Director.

Ms. Dai has served as our Director since May 2023. She joined Alibaba in 1999 as a member of the Alibaba founding team, and is a member of the Alibaba Partnership. Ms. Dai has been serving as the chief executive officer and a board member of Taobao and Tmall Group since March 2023. Prior to her current role, Ms. Dai served as the president of Alibaba’s Core Domestic e-Commerce from January 2022 to February 2023. From January 2017 to December 2021, she was the president of Alibaba’s Industrial E-commerce (formerly “B2B business”),

DIRECTORS AND SENIOR MANAGEMENT

which at the time comprised Alibaba.com, 1688.com, AliExpress, Taobao Deals as well as digital agriculture. Ms. Dai concurrently served as president of Alibaba’s Community E-commerce from March to December 2021. From November 2016 to January 2022, she served as the part-time chief customer officer of Alibaba.com Singapore E-Commerce Private Limited. Ms. Dai was the chief customer officer of Alibaba Group from June 2014 to January 2017. She also served as the senior vice president of human resources and administration of Taobao and Alibaba.com, as well as the deputy chief people officer and the chief people officer of Alibaba Group from 2009 to 2014. From 2007 to 2008, she served as general manager of Alibaba.com. Prior to that, she was the vice president of human resources of Yahoo China and the first general manager of Alibaba.com’s Guangzhou branch, in charge of field and telephone sales, marketing and human resources in Guangdong Province. From 2002 to 2005, she served as senior sales director of TrustPass.

Ms. Dai received her bachelor’s degree in industrial foreign trade from Hangzhou Institute of Electrical Engineering (杭州電子工業學院) in the PRC in July 1997.

Mr. Fan JIANG (蔣凡), aged 38, is our non-executive Director.

Mr. Jiang has served as our Director since May 2023. He currently serves as the chief executive officer and a board member of Alibaba International Digital Commerce Group and is a member of the Alibaba Partnership. Prior to his current position, Mr. Jiang served as the president of Alibaba International Digital Commerce from January 2022 to March 2023. Mr. Jiang had been responsible for the Taobao app since joining Alibaba in August 2013. He served as president of Taobao from December 2017 to January 2022, president of Tmall from March 2019 to January 2022 and president of Alimama from December 2019 to January 2022. Previously, Mr. Jiang founded and served as the chief executive officer of Umeng, a provider of mobile app analytics solutions for developers which Alibaba acquired. Before founding Umeng in 2010, Mr. Jiang worked in product development at Google China. Mr. Jiang also served as a director of Easyhome New Retail Group Corporation Limited* (居然之家新零售集團股份有限公司) (Shenzhen Stock Exchange: 000785) from December 2019 to April 2022.

Mr. Jiang received his bachelor’s degree in computer science and technology from Fudan University in the PRC in July 2008.

Mr. Lin WAN (萬霖), aged 48, is our executive Director and the Chief Executive Officer of our Group.

Mr. Wan joined our Group in June 2014. He has served as our Chief Executive Officer since January 2017 and our Director since October 2017. Mr. Wan is also a member of the Alibaba Partnership. He has extensive experience in the logistics industry. Prior to joining our Group, Mr. Wan worked at Amazon.com Inc. (NASDAQ: AMZN) from June 2005 to May 2014, including as director of research scientist. Mr. Wan was also a director of BEST Inc.

DIRECTORS AND SENIOR MANAGEMENT

(NYSE: BEST) from March 2018 to May 2023, a director of ZTO Express (Cayman) Inc. (NYSE: ZTO; HKEX: 2057) from June 2018 to March 2021, and a director of YTO Express Group Co., Ltd.* (圓通速遞股份有限公司) (Shanghai Stock Exchange: 600233) from April 2018 to February 2021.

Mr. Wan was recognized as a Representative Figure of Entrepreneurs in the Logistics Industry in the Forty Years of Reform and Opening Up (改革開放四十年物流行業企業家代表性人物) by China Federation of Logistics and Purchasing (中國物流與採購聯合會) in November 2018 and has been serving as a part-time vice president of China Federation of Logistics and Purchasing.

Mr. Wan received his bachelor's degrees in marine engineering and economic law from Huazhong University of Science and Technology (華中科技大學) in the PRC in July 1997, his master's degree in design and manufacture of ships and marine structures from Huazhong University of Science and Technology in the PRC in June 2001 and his Ph.D. degree in operational research and industrial engineering from The University of Texas at Austin in the United States in May 2005.

Mr. Zheng LIU (劉政), aged 45, is our executive Director and the Chief Financial Officer of our Group.

Mr. Liu joined our Group in February 2016 and has served as our Chief Financial Officer since March 2016. From June 2010 to February 2016, Mr. Liu served as senior finance director with Alibaba Group and was responsible for the financial operations of Tmall, Taobao and Alibaba.com. Prior to joining Alibaba Group, Mr. Liu held senior positions in corporate finance management in Sky Flying Media and Hurray Holding, and he had also worked at PricewaterhouseCoopers' audit division. Mr. Liu also served as a non-executive director of ZTO Express (Cayman) Inc. (NYSE: ZTO; HKEX: 2057) from March 2021 to June 2023, a non-executive director of Alibaba Pictures Group Limited (HKEX: 1060) from October 2021 to May 2023 and a non-executive director of AGTech Holdings Limited which is listed on the Growth Enterprise Market (GEM) of the Stock Exchange (HKEX: 8279) from December 2021 to May 2023.

Mr. Liu received his bachelor's degree in English from Beijing Foreign Studies University in the PRC in July 2001. Mr. Liu is a member of the American Institute of Certified Public Accountants (AICPA) and a Certified Internal Auditor (CIA).

DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. Johnny CHEN (陳志宏), aged 63, is our independent non-executive Director.

Mr. Chen has served as our Director since [●]. He was an adjunct associate professor of finance and management at The Hong Kong University of Science and Technology from February 2015 to February 2016. From March 2005 to February 2015, Mr. Chen worked at Zurich Insurance Group with his last position as Chairman of China. Prior to that, Mr. Chen worked at PricewaterhouseCoopers China from September 1993 to February 2005 with his last position as partner. Mr. Chen has also served as an independent non-executive director of Uni-President China Holdings Ltd. (HKEX:220), Alibaba Pictures Group Limited (HKEX:1060) and China Travel International Investment Hong Kong Limited (HKEX:308) since December 2015, January 2016 and January 2019, respectively. Mr. Chen was an independent non-executive director of Stella International Holdings Limited (HKEX:1836) from February 2009 to May 2023, and the chairman of Convoy Global Holdings Limited (which was then listed on the Main Board of the Stock Exchange with the stock code “1019” and was delisted in May 2021) from December 2017 to March 2021, during which he was also the executive director from December 2017 to December 2020 and had been re-designated as a non-executive director in January 2021 to March 2021.

Mr. Chen received his bachelor’s degree in accounting from the Johnson & Wales College in the United States in May 1982 and his master’s degree in accounting from the University of Rhode Island in the United States in May 1983. He is a certified public accountant in the United States.

Mr. Danny Tsui-Yuen CHIU, aged 57, is our independent non-executive Director.

Mr. Chiu has served as our Director since [●]. He joined Morrison Express Corp. in June 1995 and has been the chairman and chief executive officer since January 2011. He has been a director of Alibaba Entrepreneurs Fund since 2016. Prior to this, Mr. Chiu worked at Boston Consulting Group from July 1990 to June 1993, with his last position as consultant.

Mr. Chiu received his bachelor’s degree in international economics from Georgetown University in the United States in May 1989 and his degree of master in business administration (MBA) from Harvard University in the United States in June 1995.

Ms. Junhong CHU (楚軍紅), aged 53, is our independent non-executive Director.

Professor Chu has served as our Director since [●]. She has been a professor of marketing at The University of Hong Kong since August 2022. Before joining The University of Hong Kong, she worked at the NUS Business School of National University of Singapore from 2006 to 2022 with her last position as a tenured associate professor of marketing. From 1996 to 2002, Professor Chu worked at Peking University with her last position as an associate professor of economics. Professor Chu had also visited Harvard University as a research fellow and the University of Michigan as an associate professor from 1998 to 1999 and from August 2012 to July 2013, respectively.

DIRECTORS AND SENIOR MANAGEMENT

Professor Chu is an empirical modeler, works on big data, and does quantitative research in marketing and industrial organization. Her research interests include platform markets and the sharing economy, e-commerce, social media, P2P markets, and distribution channels. Professor Chu’s research has been published in leading academic journals. She was an MSI (Marketing Science Institute) 2011 Young Scholar and has also won several research awards.

Professor Chu received her bachelor’s degree in international economics and her degree of doctor of philosophy (PhD) in law from Peking University in the PRC in July 1991 and July 1996, respectively. She also received her degree of master of business administration (MBA) and her PhD in business from the University of Chicago in the United States in August 2006 and December 2006, respectively.

Save as disclosed herein, none of the Directors have held other directorships in any other companies listed in Hong Kong or overseas over the three years immediately preceding the date of this document and none of our Directors and members of senior management are related to other Directors or members of senior management.

Saved as disclosed above (and their respective interests or short positions (if any) as set out in “Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders” in Appendix V), there are no other matters in respect of each of our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules and there is no other material matter relating to our Directors that needs to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

Our senior management team comprises our executive Directors, biographies of whom are set out in “— Directors — Executive Directors and Non-executive Directors” above, and the following member:

<u>Name</u>	<u>Age</u>	<u>Date of joining our Group</u>	<u>Date of appointment as senior management</u>	<u>Position</u>	<u>Roles and Responsibilities</u>
Ms. Hong LIU (劉紅)	43	June 2014	August 26, 2020	Chief People Officer	Overseeing talent management and planning of our Group

Ms. Hong LIU (劉紅), aged 43, is the Chief People Officer of our Group.

Ms. Liu joined our Group in June 2014 and has served as our Chief People Officer since August 2020. Ms. Liu has extensive experience in human resource management. From January 2018 to August 2020, Ms. Liu was assigned to Yintai Group as general manager of human resource. From April 2017 to January 2018, she served as a human resource manager of Fliggy

DIRECTORS AND SENIOR MANAGEMENT

in Alibaba Group. Prior to that, Ms. Liu was a partner at Zhejiang Liangmu Network Technology Co., Ltd.* (浙江梁木網絡科技有限公司). From November 2015 to December 2016, Ms. Liu served as the vice president of human resource at Skio Matrix Co.Ltd.* (時空電動汽車股份有限公司). From June 2014 to November 2015, Ms. Liu worked at our Group and was responsible for human resource management of our product & technology department. From July 2008 to May 2014, Ms. Liu worked at Alibaba and was responsible for the human resource management of its B2B business.

Ms. Liu received her bachelor's degree in secretarial science from Anhui Normal University (安徽師範大學) in the PRC in July 2003.

Save as disclosed above, none of our senior management team has been a director of any listed companies during the three years immediately prior to the date of this document.

JOINT COMPANY SECRETARIES

Ms. Lan YAO (姚蘭), aged 44, has been appointed as one of our joint company secretaries.

Ms. Yao joined our Group in January 2016 and has been our head of legal and compliance department since July 2017. She is responsible for our Group's legal and compliance work. Ms. Yao has extensive experience in the legal industry. Before joining our Group, she served as the head of the legal compliance department at Aerospace Industry Investment Fund Management (Beijing) Co., Ltd. from April 2011 to October 2015. Prior to that, Ms. Yao was a senior associate at Jincheng Tongda & Neal (JT&N) from December 2008 to February 2011, and an associate at Jingtian & Gongcheng from July 2007 to October 2008. From July 2001 to July 2007, Ms. Yao worked at CITIC Guoan Information Industry Co., Ltd. with her last position as senior manager of legal affairs.

Ms. Yao received her bachelor's degrees in law and economics from Peking University in the PRC in July 2001 and her degree of master of business administration (MBA) on a part-time basis from Vlerick Management School in Belgium in August 2011.

Ms. Wai Kam NG (伍偉琴) has been appointed as one of our joint company secretaries.

Ms. Ng is a senior manager of corporate services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. Ng has over ten years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Ng is currently the company secretary or joint company secretary of several listed companies on the Stock Exchange, including Hebei Yichen Industrial Group Corporation Limited (HKEX: 1596), Genertec Universal Medical Group Company Limited (HKEX: 2666), Mega Genomics Limited (HKEX: 6667) and Onewo Inc. (HKEX: 2602).

Ms. Ng received her bachelor's degree in business administration from Hong Kong Shue Yan University in Hong Kong in July 2011. She is a chartered secretary, a chartered governance professional and an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

DIRECTORS AND SENIOR MANAGEMENT

MANAGEMENT AND CORPORATE GOVERNANCE

Board Committees

Audit Committee

We have established an audit committee written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transactions and provide advice and comments to our Board. The audit committee comprises three members, namely Mr. Joseph C. TSAI, Mr. Johnny CHEN and Mr. Danny Tsui-Yuen CHIU, with Mr. Johnny CHEN (being our independent non-executive Director with the appropriate professional qualifications) as the chairperson of our audit committee.

Remuneration Committee

We have established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and make recommendations to our Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management. The remuneration committee comprises three members, namely Mr. Joseph C. TSAI, Mr. Danny Tsui-Yuen CHIU and Ms. Junhong CHU, with Mr. Danny Tsui-Yuen CHIU as the chairperson of our remuneration committee.

Nomination Committee

We have established a nomination committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board on the appointment of Directors and management of Board succession. The nomination committee comprises three members, namely Mr. Joseph C. TSAI, Mr. Johnny CHEN and Ms. Junhong CHU, with Mr. Joseph C. TSAI as the chairperson of our nomination committee.

Sustainability Committee

We have established a sustainability committee with written terms of reference. The primary duties of the sustainability committee are to identify and evaluate ESG opportunities and risks, ensure robust oversight and internal management of ESG strategies and review ESG-related disclosures. The sustainability committee comprises three members, namely Mr. Lin WAN, Mr. Danny Tsui-Yuen CHIU and Ms. Junhong CHU, with Ms. Junhong CHU as the chairperson of the sustainability committee.

DIRECTORS AND SENIOR MANAGEMENT

Corporate Governance Code

Our Company expects to comply with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance report which will be included in our annual reports upon the [REDACTED].

Board diversity

Our Company has adopted a board diversity policy which sets out the approach to achieve diversity of our Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at our Board level, including gender diversity, as an essential element in maintaining the Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to the board diversity policy, in reviewing and assessing suitable candidates to serve as a director of the Company, the nomination committee will consider a number of factors, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry experience. Pursuant to the board diversity policy, the nomination committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on our Board and recommend them to our Board for formal adoption.

Our Directors have a balanced mix of knowledge, skills and experience, including management, strategic, business development, corporate investment and finance and marketing. We have three independent non-executive Directors with different industry backgrounds, representing more than one-third of the members of our Board. Our Board has a wide range of age, ranging from 38 years old to 63 years old. Furthermore, our Company recognizes the particular importance of gender diversity. Our Board currently comprises eight Directors, including two female Directors. We have taken and will continue to take steps to promote and enhance gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels. Our board diversity policy provides that our Board shall take opportunities when selecting and making recommendations on suitable candidates for Board appointments with the aim to maintain the proportion of female members after [REDACTED]. We will also ensure that there is gender diversity when recruiting staff at mid to senior level, as well as engage more resources in training more female staff with the aim of providing a pipeline of female senior management and potential successors to our Board going forward. After due consideration, our Board believes that based on the meritocracy of our Directors, the composition of our Board satisfies our board diversity policy.

DIRECTORS AND SENIOR MANAGEMENT

WAIVER GRANTED BY THE STOCK EXCHANGE

Management presence

We have applied to the Stock Exchange for[, and the Stock Exchange has granted,] a waiver under and in respect of Rule 8.12 of the Listing Rules in relation to the requirement on sufficient management presence in Hong Kong. See “Waivers from Strict Compliance with the Listing Rules and Exemptions from the Companies (Winding up and Miscellaneous Provisions) Ordinance — Waiver in Respect of Management Presence in Hong Kong” for further details.

Qualification of one of our Joint Company Secretaries

We have applied to the Stock Exchange for[, and the Stock Exchange has granted,] a waiver under and in respect of Rules 3.28 and 8.17 of the Listing Rules in relation to the requirement on the qualifications of one of our joint company secretaries, Ms. Lan YAO. See “Waivers from Strict Compliance with the Listing Rules and Exemptions from the Companies (Winding up and Miscellaneous Provisions) Ordinance — Waiver in Respect of Our Joint Company Secretaries” for further details.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive and independent non-executive Directors receive compensation in the form of fees, salaries, bonuses, other allowances and benefits in kind, including our Company’s contribution to the pension scheme on their behalf. We determine the salaries of our Directors based on each Director’s responsibilities, qualification, position and seniority.

The aggregate amount of remuneration paid to our Directors for the years ended March 31, 2021, 2022 and 2023 and the three months ended June 30, 2023 were approximately RMB18 million, RMB76 million, RMB68 million and RMB12 million, respectively. It is estimated that remuneration and benefit in kind (excluding any possible payment of discretionary bonus) equivalent to approximately RMB109 million in aggregate will be paid and granted to our Directors for the year ending March 31, 2024, based on the arrangements in force as of the date of this document.

The aggregate amount of remuneration paid to our five highest paid individuals (including our Directors, senior management members and employees) for the years ended March 31, 2021, 2022 and 2023 and the three months ended June 30, 2023 were approximately RMB58 million, RMB185 million, RMB156 million and RMB27 million, respectively.

Save as disclosed above, no other payments have been paid or are payable, in respect of the years ended ended March 31, 2021, 2022 and 2023 and the three months ended June 30, 2023 by our Company to our Directors.

DIRECTORS AND SENIOR MANAGEMENT

No compensation was paid by us to our Directors and our five highest paid individuals as an inducement to join, or upon joining, our Group during the Track Record Period. No compensation was paid to, or receivable by, our Directors, past Directors or the five highest paid individuals for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors had waived or agreed to waive any emoluments during the same period.

For additional information on Directors' remuneration during the Track Record Period as well as information on our highest paid individuals, see Note 10 of the Accountant's Report set out in Appendix I to this document.

See "Statutory and General Information — D. Equity Incentive Plans — 4. Outstanding Options Granted under the Pre-[REDACTED] Equity Incentive Plans" in Appendix V for details of the outstanding options granted under the Pre-[REDACTED] Equity Incentive Plans to the Directors and senior management.

COMPLIANCE ADVISER

We have appointed CITIC Securities (Hong Kong) Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. The compliance adviser will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company, among others, in the following circumstances:

- (a) before the publication of any regulatory announcement, circular, or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where the business activities, development or results of the Group deviate from any forecast, estimate or other information in this document; and
- (d) where the Stock Exchange makes an inquiry to the Company regarding unusual movements in the price or trading volume of its [REDACTED] securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of the compliance adviser shall commence on the [REDACTED] and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED].

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED] and assuming (i) the [REDACTED] is not exercised, and (ii) no other Shares are issued under the Pre-[REDACTED] Equity Incentive Plans and the Post-[REDACTED] Equity Incentive Plan, the following persons will have an interest or a short position in Shares or underlying Shares of our Company which (i) will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or (ii) will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Interests in Shares of our Company

Name of Shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of interest in our Company immediately prior to the completion of the [REDACTED]	Approximate percentage of interest in our Company after the completion of the [REDACTED]
Alibaba ⁽¹⁾	Interest in controlled corporation	10,690,860,833	69.54%	[REDACTED]%
Ali CN Investment ⁽¹⁾	Beneficial owner	9,731,623,910	63.30%	[REDACTED]%
Alibaba Limited ⁽¹⁾	Interest in controlled corporation	768,000,000	5.00%	[REDACTED]%
Alibaba Investment ⁽¹⁾	Interest in controlled corporation	768,000,000	5.00%	[REDACTED]%
Alibaba Cayman ⁽¹⁾	Interest in controlled corporation	768,000,000	5.00%	[REDACTED]%
Alibaba International ⁽¹⁾	Beneficial owner	768,000,000	5.00%	[REDACTED]%
Ali KB Investment ⁽¹⁾⁽²⁾	Beneficial owner	82,723,773	0.54%	[REDACTED]%
	Person having a security interest	108,513,150	0.71%	[REDACTED]%
Mr. Guojun SHEN (沈國軍) ⁽²⁾⁽³⁾	Founder of a discretionary trust who can influence how the trustee exercises his discretion	2,242,558,002	14.59%	[REDACTED]%
Cantrust (Far East) Limited ⁽³⁾	Trustee	2,134,044,852	13.88%	[REDACTED]%
Guojun Evergreen Limited ⁽³⁾	Interest in controlled corporation	2,134,044,852	13.88%	[REDACTED]%
Profit Reach Holdings Limited ⁽³⁾	Interest in controlled corporation	1,240,150,280	8.07%	[REDACTED]%
Profit Reach ⁽³⁾	Beneficial owner	1,240,150,280	8.07%	[REDACTED]%
Elite Data ⁽²⁾⁽³⁾	Beneficial owner	728,048,296	4.74%	[REDACTED]%
Keen Leap ⁽³⁾	Beneficial owner	217,764,500	1.42%	[REDACTED]%
Elite Idea ⁽³⁾	Beneficial owner	56,594,926	0.37%	[REDACTED]%

SUBSTANTIAL SHAREHOLDERS

Notes:

- (1) Ali CN Investment, Alibaba Treasury and Ali KB Investment are directly wholly owned by Alibaba. Alibaba Limited is directly owned by Alibaba as to 80.02% and Alibaba Treasury as to 19.98%. Alibaba Investment is directly wholly owned by Alibaba Limited. Alibaba Cayman is directly wholly owned by Alibaba Investment. Alibaba International is directly wholly owned by Alibaba Cayman. Under the SFO, Alibaba is deemed to be interested in and control the Shares held by Ali CN Investment, Alibaba International and Ali KB Investment, respectively.
- (2) 108,513,150 Shares are held by Ali KB Investment under a tax escrow arrangement pursuant to a share transfer agreement entered into between Ali KB Investment and Mr. Guojun SHEN, pending full settlement of any outstanding tax obligations. Under the SFO, both Ali KB Investment and Mr. Guojun SHEN (holding the Shares through Elite Data) are deemed to be interested in such Shares.
- (3) Profit Reach is directly wholly owned by Profit Reach Holdings Limited, which is in turn wholly owned by Guojun Evergreen Limited. Each of Elite Data, Keen Leap and Elite Idea is directly wholly owned by Guojun Evergreen Limited. Guojun Evergreen Limited is beneficially wholly owned by Guojun Evergreen Trust, which is a family trust established by Mr. Guojun SHEN as the settlor, with Mr. Guojun SHEN and his family members as beneficiaries. Cantrust (Far East) Limited is the trustee of Guojun Evergreen Trust. Under the SFO, Mr. Guojun SHEN, Cantrust (Far East) Limited and Guojun Evergreen Limited are deemed to be interested in and control the Shares held by Profit Reach, Elite Data, Keen Leap and Elite Idea.

Save as disclosed above and in the section headed “Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 1. Disclosure of Interests” in Appendix V to this document, our Directors are not aware of any person who will, immediately following the completion of the [REDACTED] (assuming (i) the [REDACTED] is not exercised and (ii) no other Shares are issued under the Pre-[REDACTED] Equity Incentive Plans and the Post-[REDACTED] Equity Incentive Plan), have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company or any other member of our Group.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company immediately prior to and upon the completion of the [REDACTED], assuming that (i) the [REDACTED] becomes unconditional and the [REDACTED] are issued pursuant to the [REDACTED], (ii) the [REDACTED] is not exercised, (iii) no other Shares are issued under the Pre-[REDACTED] Equity Incentive Plans and the Post-[REDACTED] Equity Incentive Plan, and (iv) each Class A Ordinary Share and Class B Ordinary Share is re-designated as one Ordinary Share:

1. Share capital as at the date of this document

(i) Authorized share capital

Number	Description of Shares	Approximate aggregate nominal value of shares (US\$)
195,000,000	Class A Ordinary Shares of par value of US\$0.000001 each	195
2,135,000,000	Class B Ordinary Shares of par value of US\$0.000001 each	2,135
47,670,000,000	ordinary shares of par value of US\$0.000001 each	47,670
<u>50,000,000,000</u>	Total	<u>50,000</u>

(ii) Issued, fully paid or credited to be fully paid

Number	Description of Shares	Approximate aggregate nominal value of shares (US\$)
100,254,555	Class A Ordinary Shares of par value of US\$0.000001 each in issue	100
60,282,918	Class B Ordinary Shares of par value of US\$0.000001 each in issue	60
15,212,555,296	Shares of par value of US\$0.000001 each in issue	15,213
<u>15,373,092,769</u>	Total	<u>15,373</u>

SHARE CAPITAL

2. Share capital immediately following the completion of the [REDACTED]

(i) *Authorized share capital*

Number	Description of Shares	Approximate aggregate nominal value of Shares (US\$)
50,000,000,000	Shares of par value of US\$0.000001 each	50,000
50,000,000,000	Total	50,000

(ii) *Issued and to be issued, fully paid or credited to be fully paid*

Number	Description of Shares	Approximate aggregate nominal value of Shares (US\$)
15,373,092,769	Shares of par value of US\$0.000001 each in issue (including the Shares upon re-designation of the Class A Ordinary Shares and Class B Ordinary Shares)	15,373
[REDACTED]	Shares of par value of US\$0.000001 each to be issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED]	Total	[REDACTED]

The tables above do not take into account any Shares that may be issued or repurchased by our Company under the general mandate granted to our Directors as referred to below.

RANKING

The [REDACTED] will rank *pari passu* in all respects with all Shares currently in issue or to be issued as mentioned in this document, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this document.

ALTERATIONS OF CAPITAL

Pursuant to the Cayman Companies Act and the terms of the Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its share capital; (ii) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares; (iii) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (iv) cancel any shares which, as at the date of the passing of the resolution, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled. In addition,

SHARE CAPITAL

our Company may, subject to the provisions of the Cayman Companies Act, reduce its share capital or any undistributable reserve by its shareholders passing a special resolution. See “Summary of the Constitution of our Company and Cayman Companies Act — 2. Articles of Association — 2.1 Shares — (c) Alteration of Capital” in Appendix IV to this document for further details.

EQUITY INCENTIVE PLANS

We have adopted the Pre-[REDACTED] Equity Incentive Plans and the Post-[REDACTED] Equity Incentive Plan. The principal terms of the Pre-[REDACTED] Equity Incentive Plans and the Post-[REDACTED] Equity Incentive Plan are summarized in the section headed “Statutory and General Information — D. Equity Incentive Plans” in Appendix V to this document.

GENERAL MANDATE TO ISSUE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate, to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- 20% of the aggregate nominal value of the Shares in issue immediately following completion of the [REDACTED] (excluding the additional Shares which may be issued pursuant to the exercise of the [REDACTED] or under the Pre-[REDACTED] Equity Incentive Plans and the Post-[REDACTED] Equity Incentive Plan); and
- the aggregate nominal value of Shares repurchased by our Company under the authority referred to in the paragraph headed “— General Mandate to Repurchase Shares” in this section.

This general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- the expiration of the period within which our Company’s next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

See “Statutory and General Information — A. Further Information about our Group — 3. Resolutions in Writing of the Shareholders of Our Company Passed on [●], 2023” in Appendix V to this document for further details of the general mandate.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Subject the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate, to exercise all the powers of our Company to repurchase our own securities with nominal value of up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the [REDACTED] (excluding (i) the additional Shares which may be issued pursuant to the exercise of the [REDACTED]; and (ii) the Shares which may be issued pursuant to the Pre-[REDACTED] Equity Incentive Plans and the Post-[REDACTED] Equity Incentive Plan).

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in “Statutory and General Information — A. Further Information about our Group — 5. Repurchase of our Own Securities” in Appendix V to this document.

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- the expiration of the period within which our Company’s next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See “Statutory and General Information — A. Further Information about our Group — 5. Repurchase of our Own Securities” in Appendix V to this document for further details of the repurchase mandate.

FINANCIAL INFORMATION

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included in the Accountant’s Report in Appendix I to this document and in particular, “Our Business.” This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Risk Factors” and elsewhere in this document. We have prepared our consolidated financial statements in accordance with IFRS. Our fiscal year ends on March 31 and references to fiscal years 2021, 2022 and 2023 are to the fiscal years ended March 31, 2021, 2022 and 2023, respectively.

OVERVIEW

Cainiao is a global leader in e-commerce logistics. We are the largest provider of cross-border e-commerce logistics services globally and a leader in China e-commerce logistics services, according to CIC. Drawing on our deep e-commerce insights and technological capabilities, we have established a smart logistics network, with end-to-end logistics capabilities, on a global scale. Our innovative solutions redefine industry standards and unlock new market opportunities for our customers and partners in e-commerce and beyond, throughout China and across the world. We generate revenues mainly from (i) international logistics services, including cross-border express delivery, global supply chain and to a lesser extent, overseas local logistics services, and (ii) China logistics services, including supply chain and premium express delivery services. We also generate revenues from logistics technology and other services. See “Our Business — Our Service Offerings.”

We achieved significant growth during the Track Record Period. Our total revenue increased by 27% from RMB52,733 million in fiscal year 2021 to RMB66,867 million in fiscal year 2022, and further increased by 16% to RMB77,800 million in fiscal year 2023. Our total revenue increased by 34% from RMB17,336 million in the three months ended June 30, 2022 to RMB23,164 million in the three months ended June 30, 2023. We incurred net losses of RMB2,015 million, RMB2,286 million, RMB2,801 million and RMB370 million in fiscal years 2021, 2022 and 2023 and the three months ended June 30, 2022, respectively, and recorded a net profit of RMB288 million for the three months ended June 30, 2023.

We recorded non-IFRS adjusted net losses of RMB829 million and RMB1,030 million in fiscal year 2021 and fiscal year 2022, respectively, and recorded non-IFRS adjusted net profits of RMB279 million, RMB30 million and RMB1,093 million in fiscal year 2023 and the three months ended June 30, 2022 and 2023, respectively. Our non-IFRS adjusted EBITDA amounted to RMB1,036 million, RMB1,155 million, RMB2,873 million, RMB634 million and RMB1,807 million in fiscal years 2021, 2022 and 2023 and the three months ended June 30, 2022 and 2023, respectively. See “— Non-IFRS Measures.”

FINANCIAL INFORMATION

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our financial performance and results of operations are affected by general factors that impact the global economy and our industry as well as company-specific factors, which include but are not limited to the following:

Growth of E-commerce and E-commerce Logistics Industries

Our results of operations are primarily affected by the prospects and development of the e-commerce industry, which is influenced by various macroeconomic factors and geopolitical developments that drive the Chinese and global economies more generally. These factors include per capita disposable income, levels of consumer spending, government policies and regulations, taxes and duties and other general economic conditions that affect consumption and business activities. In addition, geopolitical developments may affect the stability of the cross-border supply chain, leading to fluctuations in our business volumes, prices and costs.

The growth of the e-commerce industry is expected to propel market demand for, and spending on, e-commerce logistics services. Specifically, our future growth will be primarily driven by our international logistics and China logistics businesses, which will be in turn primarily affected by the growth of the China cross-border e-commerce logistics market and the China domestic e-commerce logistics market, respectively.

The China cross-border e-commerce logistics market in terms of revenue is expected to grow at a CAGR of 18.5% from RMB711 billion in 2023 to RMB1,402 billion in 2027, according to CIC. Such growth is expected to be propelled by abundant supplies of goods from China and substantial global consumer demand for quality products with attractive prices. Accordingly, cross-border e-commerce platforms as well as merchants and manufacturers increasingly require comprehensive cross-border e-commerce logistics services.

The China domestic e-commerce logistics market in terms of revenue is expected to grow at a CAGR of 10.1% from RMB1,215 billion in 2023 to RMB1,786 billion in 2027, and the premium e-commerce logistics service segment is expected to be a major driver, according to CIC. With the increasing convergence of online and offline shopping, we also expect customer needs for omni-channel fulfillment services to grow in China.

Our Ability to Grow with Existing Customers and Attract New Customers

Our results of operations are driven by our ability to grow with our existing customers. In particular, our financial performance will be significantly affected by our ability to continue growing with merchants and brands active on various global e-commerce platforms, as well as supporting the direct sales of such platforms. For example, our cross-border express delivery services, initially launched to serve merchants on the AliExpress platform, have been the major revenue driver for our international logistics business as we have continuously elevated service levels in terms of speed, cost-effectiveness and quality. Recently, we co-developed with AliExpress a set of logistics solutions to enable its *Choice* business, which has started to

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contribute to the growth of our cross-border express delivery services. Accordingly, our ability to further develop our business will be determined by the extent to which we can continue innovating and meeting the evolving needs of existing customers.

Customers typically start working with us by using a single type of our solutions and materially expand their usage and scope over time. For example, leveraging our end-to-end network and smart logistics technology, our services to brand customers expanded from China express delivery services to the management of their omni-channel supply chain. Over time, we expanded our logistics services to support customers’ sales beyond e-commerce and globally. We believe such increase in the scope and complexity of their businesses will drive demand for our comprehensive suite of logistics solutions. The extent to which we can drive our customers’ increasing usage for a single service and expand our service scope by cross-selling additional solutions will impact our ability to grow our revenue and realize operating leverage. Our success in doing so depends on our ability to continue identifying customer needs, introducing new products and solutions tailored to such needs and enhancing service quality.

Our results of operations are also affected by our ability to attract new customers, both within and outside of the Alibaba ecosystem. This depends on various factors, including the acceptance of our solutions and services, our ability to innovate and improve our services, the success of our sales and marketing efforts, competition, and regulatory environment in the countries and regions where we operate.

Continued Innovation in Product and Service Offerings

Our growth has been driven by our ability to offer innovative products and services for our customers with compelling value propositions. For our international logistics business, we upgraded our standard cross-border delivery service product in 2020, which significantly elevated service levels and propelled the growth in our cross-border express delivery services. More recently, we upgraded the premium option of our cross-border express delivery services to accelerate the order-to-delivery time between China and select overseas destinations to five working days. For our China logistics business, we introduced a series of other logistics products and services, such as reverse logistics services under the *Cainiao Guoguo* brand, premium delivery under the *Cainiao Express* brand, and time-definite doorstep delivery and easy self-pickup at “pick-up, drop-off” stations for consumers enabled by our *Cainiao Post* solution. Our results of operations will continue to be affected by our ability to develop innovative product and service offerings with speed, efficiency, reliability and cost-effectiveness to address customer pain points, which are in turn affected by our ability to effectively leverage e-commerce insights, industry know-how, and operational expertise. We intend to offer more new products and services to address our customers’ growing logistics needs in China and globally.

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Expansion of Global Network

Our growth and results of operations are driven by our ability to effectively expand and strengthen our end-to-end global network, which will in turn affect our ability to offer attractive products and services at competitive costs and create value for our customers. Our global network is designed to support our comprehensive logistics services, and to connect and empower industry participants. We have built our global network of physical assets and capabilities, and continue to integrate and optimize such network through technology, industry insights and operational know-how. For example, we intend to continue investing in e-Hubs, overseas warehouses, sorting centers and local delivery networks in select international locations. Our ability to continue developing our global network will be affected by market dynamics, availability of key resources such as land and labor, evolving needs of our logistics partners, as well as our own managerial, operational and financial capacity, among others. Our results of operations will also be affected by our ability to manage our network expansions in a capital efficient manner and extent to which such expanded end-to-end capabilities can effectively support our products and services.

Investments in Technologies

Our growth and profitability are affected by our ability to innovate in technologies, such as automation, IoT and AI, which enable us to enhance existing and create new service offerings and improve efficiency and cost-effectiveness. We have made significant investments in developing our technology capabilities to optimize logistics operations, empower customers and partners, and achieve sustainable growth. In fiscal years 2021, 2022 and 2023 and the three months ended June 30, 2022 and 2023, our product development expenses amounted to RMB1,529 million, RMB2,282 million, RMB2,512 million, RMB560 million and RMB606 million, respectively. We believe our continued investments in technologies, including in our product development team, will help improve our network capacity, service quality, operating efficiency and market penetration. We expect to continue investing in technology innovations to deliver overall long-term growth and shareholder value. We also offer technology solutions to external customers, which creates additional revenue opportunities and deepens customer relationships.

Cost and Operating Efficiency and Economies of Scale

Our results of operations are affected by our ability to optimize costs, improve operating efficiency and realize economies of scale. Our cost of revenue primarily consists of fulfillment costs (mainly including costs for in-warehouse processing, line-haul, delivery and other services procured and managed by us) and labor costs. Our ability to improve cost and operating efficiency depends on the effectiveness of our cost optimization measures, such as controlling critical nodes, increasing utilization of logistics facilities and resources and leveraging technology to digitalize and automate logistics processes. Our costs are also affected by various economic and market factors and geopolitical developments. See “—

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Impacts of the COVID-19 Pandemic and Geopolitical Conflicts.” Our ability to optimize cost and efficiency has contributed to our margin improvement during the Track Record Period, while we continue to offer better and more innovative services at competitive prices.

When we introduce new products and services, we make initial investments that may drive up unit cost when the services are in the ramp-up stage. As these services mature with more developed capabilities and network and our volume increases from higher usage of existing customers and broader adoption by new customers, we expect to achieve economies of scale, driving our profitability. This will largely be driven by lower unit cost resulting from higher resource utilization and stronger bargaining power with suppliers. We also expect to achieve a higher degree of synergies from our end-to-end capabilities that apply across different customers, industries and geographies, from comprehensive product offerings, to omni-channel supply chain coverage and to technology innovations.

IMPACTS OF THE COVID-19 PANDEMIC AND GEOPOLITICAL CONFLICTS

In an effort to halt the COVID-19 pandemic, governmental authorities in countries and regions where we operate placed restrictions on travel and transportation and closed certain businesses during certain periods from January 2020 to December 2022. We experienced certain disruptions in parts of our logistics network as a result of various governmental measures due to the COVID-19 outbreaks in countries and regions where we operate. In addition, restrictions related to COVID-19 temporarily disrupted China’s supply chain in 2022, making some merchants and manufacturers suspend their operations, reducing manufacturing output and demand for e-commerce logistics services. Transportation restrictions related to the COVID-19 reduced global air freight capacities and led to shortages in global ocean freight capacities, resulting in significant increases in associated costs and longer transit times. Furthermore, the conflict between Russia and Ukraine that began in February 2022 also led to disruptions in cross-border logistics and impacted our operations, customer demand and associated costs. To mitigate such impacts on costs, we took proactive measures, such as using air charter services for cargo transportation and negotiating price lock-up agreements, among other measures.

Market conditions for cross-border e-commerce logistics have gradually recovered from the negative impacts of the COVID-19 and the geopolitical conflicts. The costs associated with global line-haul transportation have normalized since early 2023 and resulted in a significant reduction of our costs in the first quarter of fiscal year 2024, which contributed, together with our cost optimization measures, to a period-over-period improvement in our gross profit margins from 10.6% for the three months ended June 30, 2022 to 13.7% for the three months ended June 30, 2023. As we share the benefits of cost reductions associated with global line-haul transportation with our customers, we expect our gross profit margins to normalize in the second half of fiscal year 2024.

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RESULTS OF OPERATIONS

The following table sets our consolidated results for the periods indicated:

	Year Ended March 31,						Three Months Ended June 30,			
	2021		2022		2023		2022		2023	
	<i>% of</i> <i>RMB revenue</i>	<i>% of</i> <i>RMB revenue</i>	<i>% of</i> <i>RMB revenue</i>	<i>% of</i> <i>RMB revenue</i>	<i>% of</i> <i>RMB revenue</i>	<i>% of</i> <i>RMB revenue</i>	<i>% of</i> <i>RMB revenue</i>	<i>% of</i> <i>RMB revenue</i>	<i>% of</i> <i>RMB revenue</i>	<i>% of</i> <i>RMB revenue</i>
	<i>(Unaudited)</i>									
	<i>(in millions, except for percentages and per share data)</i>									
Revenue	52,733	100.0%	66,867	100.0%	77,800	100.0%	17,336	100.0%	23,164	100.0%
Cost of revenue	(47,189)	(89.5%)	(59,686)	(89.3%)	(69,653)	(89.5%)	(15,496)	(89.4%)	(19,979)	(86.3%)
Gross profit	5,544	10.5%	7,181	10.7%	8,147	10.5%	1,840	10.6%	3,185	13.7%
Sales and marketing expenses	(1,534)	(2.9%)	(1,759)	(2.7%)	(1,216)	(1.6%)	(242)	(1.4%)	(284)	(1.2%)
General and administrative expenses	(3,941)	(7.5%)	(6,095)	(9.1%)	(6,153)	(7.9%)	(1,313)	(7.6%)	(1,434)	(6.2%)
Product development expenses	(1,529)	(2.9%)	(2,282)	(3.4%)	(2,512)	(3.2%)	(560)	(3.2%)	(606)	(2.6%)
Reversal of/(provision for) impairment losses on financial assets	1	–	(182)	(0.3%)	(283)	(0.4%)	(114)	(0.6%)	(234)	(1.0%)
Other income	169	0.3%	529	0.8%	490	0.6%	58	0.3%	180	0.8%
Other gains/(losses) – net	37	0.1%	1,304	2.0%	(174)	(0.2%)	46	0.3%	(310)	(1.4%)
Operating (loss)/profit.	(1,253)	(2.4%)	(1,304)	(2.0%)	(1,701)	(2.2%)	(285)	(1.6%)	497	2.1%
Finance income	509	1.0%	310	0.4%	437	0.5%	71	0.4%	172	0.8%
Finance costs	(1,140)	(2.2%)	(1,214)	(1.8%)	(1,258)	(1.6%)	(270)	(1.5%)	(323)	(1.4%)
Finance costs – net	(631)	(1.2%)	(904)	(1.4%)	(821)	(1.1%)	(199)	(1.1%)	(151)	(0.6%)
Share of (loss)/profit of associates and joint ventures accounted for using the equity method	(33)	(0.1%)	141	0.3%	229	0.3%	178	0.9%	(8)	–
Impairment losses on associates and joint ventures accounted for using the equity method	–	–	–	–	(229)	(0.3%)	–	–	–	–
(Loss)/profit before income tax.	(1,917)	(3.7%)	(2,067)	(3.1%)	(2,522)	(3.3%)	(306)	(1.8%)	338	1.5%
Income tax expenses	(98)	(0.2%)	(219)	(0.3%)	(279)	(0.3%)	(64)	(0.3%)	(50)	(0.3%)
(Loss)/profit for the year/period	(2,015)	(3.9%)	(2,286)	(3.4%)	(2,801)	(3.6%)	(370)	(2.1%)	288	1.2%

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	Year Ended March 31,						Three Months Ended June 30,			
	2021		2022		2023		2022		2023	
	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	
	<i>RMB</i>	<i>revenue</i>	<i>RMB</i>	<i>revenue</i>	<i>RMB</i>	<i>revenue</i>	<i>RMB</i>	<i>revenue</i>	<i>RMB</i>	<i>revenue</i>
	<i>(Unaudited)</i>									
	<i>(in millions, except for percentages and per share data)</i>									
(Loss)/profit										
attributable to:										
Owners of the Company	(1,688)	(3.2%)	(2,004)	(3.0%)	(2,325)	(3.0%)	(338)	(1.9%)	391	1.7%
Non-controlling interests	(327)	(0.7%)	(282)	(0.4%)	(476)	(0.6%)	(32)	(0.2%)	(103)	(0.5%)
(Loss)/earnings per										
share for (loss)/profit										
attributable to owners										
of the Company										
Basic (loss)/earnings per										
share (RMB)	(0.11)	–	(0.13)	–	(0.15)	–	(0.02)	–	0.02	–
Diluted (loss)/earnings										
per share (RMB)	(0.11)	–	(0.13)	–	(0.15)	–	(0.02)	–	0.02	–
Non-IFRS measures										
Adjusted net (loss)/profit										
for the year/period ⁽¹⁾	(829)	(1.6%)	(1,030)	(1.5%)	279	0.4%	30	0.2%	1,093	4.7%
Adjusted EBITDA for the										
year/period ⁽²⁾	1,036	2.0%	1,155	1.7%	2,873	3.7%	634	3.7%	1,807	7.8%

Notes:

- (1) Non-IFRS adjusted net (loss)/profit represents (loss)/profit for the year/period excluding the effects of (i) certain non-cash expenses, consisting of share-based payments, (ii) items which we do not believe are reflective of our core operating performance during the periods presented, including currency translation difference in connection with certain inter-company loans, losses or gains on fair value changes, disposals, or deemed disposals of investments and other assets, non-cash portion of return for investor’s investment in consolidated limited partnerships, impairment losses on associates and joint ventures accounted for using the equity method, and amortization of intangible assets resulting from acquisitions, and (iii) items that are typically one-off and non-recurring in nature, including [REDACTED] expenses. The use of non-IFRS adjusted net (loss)/profit has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS. See “— Non-IFRS Measures.”
- (2) Non-IFRS adjusted EBITDA represents profit/(loss) for the year/period excluding the effects of (i) certain non-cash expenses, consisting of share-based payments, (ii) items which we do not believe are reflective of our core operating performance during the periods presented, including currency translation difference in connection with certain inter-company loans, losses or gains on fair value changes, disposals, or deemed disposals of investments and other assets, and impairment losses on associates and joint ventures accounted for using the equity method, (iii) items that are typically one-off and non-recurring in nature, including [REDACTED] expenses, and (iv) finance costs, finance income, depreciation of and impairment losses on property, plant and equipment, investment properties and other right-of-use assets, amortization of and impairment losses on right-of-use assets (land use rights), amortization of intangible assets, and income tax expenses. See “— Non-IFRS Measures.”

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DESCRIPTION OF MAJOR COMPONENTS OF RESULTS OF OPERATIONS

Revenue

We generate revenues from international logistics services, China logistics services and to a lesser extent, technology and other services.

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

	Year Ended March 31,						Three Months Ended June 30,			
	2021		2022		2023		2022		2023	
	<i>RMB</i>	<i>% of revenue</i>	<i>RMB</i>	<i>% of revenue</i>	<i>RMB</i>	<i>% of revenue</i>	<i>RMB</i>	<i>% of revenue</i>	<i>RMB</i>	<i>% of revenue</i>
	<i>(Unaudited)</i>									
	<i>(in millions, except for percentages)</i>									
Revenue										
International logistics	29,038	55.1%	34,970	52.3%	36,851	47.4%	7,901	45.6%	11,131	48.1%
China logistics	20,066	38.1%	27,092	40.5%	35,961	46.2%	8,562	49.4%	10,602	45.8%
Technology and other services	3,629	6.8%	4,805	7.2%	4,988	6.4%	873	5.0%	1,431	6.1%
Total	<u>52,733</u>	<u>100.0%</u>	<u>66,867</u>	<u>100.0%</u>	<u>77,800</u>	<u>100.0%</u>	<u>17,336</u>	<u>100.0%</u>	<u>23,164</u>	<u>100.0%</u>

Our revenue from international logistics services consists principally of service fees for cross-border express delivery and global supply chain services, and to a lesser extent, service fees for overseas local logistics services.

Our revenue from China logistics services consists principally of service fees for China supply chain and China premium express delivery services.

Our revenue from technology and other services consists principally of (i) service fees in connection with the *Cainiao Post* solution, (ii) advertisement and promotional fees generated through our Cainiao App, (iii) property leasing and management fees and (iv) service fees for technology solutions. For details regarding the advertisement and promotional services, see “Relationship with Our Controlling Shareholders.”

See “Our Business — Revenue Model” for more information regarding our revenue model and pricing.

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Cost of Revenue

The following table sets forth a breakdown of our cost of revenue for the periods indicated:

	Year Ended March 31,			Three Months Ended June 30,	
	2021	2022	2023	2022	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(Unaudited)</i>				
	<i>(in millions, except for percentages)</i>				
Cost of revenue					
Fulfillment costs	40,933	51,747	59,719	13,432	16,435
Labor costs	4,576	6,165	7,760	1,575	2,861
Depreciation and amortization	1,486	1,507	1,879	425	584
Others	194	267	295	64	99
Total	47,189	59,686	69,653	15,496	19,979
Percentage of revenue	89.5%	89.3%	89.5%	89.4%	86.3%

Our fulfillment costs primarily include costs associated with in-warehouse processing, line-haul, delivery and other services procured and managed by us. Labor costs primarily include employee benefits expenses, as well as outsourced labor costs we incurred to supplement our capacity for in-warehouse processing and delivery services. Depreciation and amortization primarily relates to our warehouses and equipment, right-of-use assets and intellectual property. Other cost of revenue primarily includes taxes and levies and other miscellaneous items.

Sales and Marketing Expenses

The following table sets forth a breakdown of our sales and marketing expenses for the periods indicated:

	Year Ended March 31,			Three Months Ended June 30,	
	2021	2022	2023	2022	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(Unaudited)</i>				
	<i>(in millions, except for percentages)</i>				
Sales and marketing expenses					
Promotion and advertising expenses . . .	1,064	1,034	410	55	101
Labor costs	438	687	760	176	171
Others	32	38	46	11	12
Total	1,534	1,759	1,216	242	284

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	Year Ended March 31,			Three Months Ended June 30,	
	2021	2022	2023	2022	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(Unaudited)</i>				
	<i>(in millions, except for percentages)</i>				
Percentage of revenue	2.9%	2.7%	1.6%	1.4%	1.2%
Share-based payments included in sales and marketing expenses	25	75	91	11	12
Sales and marketing expenses excluding share-based payments	1,509	1,684	1,125	231	272
Percentage of revenue	2.9%	2.5%	1.4%	1.3%	1.2%

Our sales and marketing expenses primarily consist of (i) promotion and advertising expenses in connection with customer acquisition and retention through various channels, such as our Cainiao App, (ii) labor costs, consisting of employee benefits expenses, including salaries, bonuses, benefits and share-based payments, and outsourced labor costs, for our sales and marketing personnel and (iii) other sales and marketing expenses, primarily consisting of office and travel expenses.

General and Administrative Expenses

The following table sets forth a breakdown of our general and administrative expenses for the periods indicated:

	Year Ended March 31,			Three Months Ended June 30,	
	2021	2022	2023	2022	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(Unaudited)</i>				
	<i>(in millions, except for percentages)</i>				
General and administrative expenses					
Labor costs	2,956	4,712	4,896	1,029	1,126
Depreciation and amortization	113	121	140	38	35
Others	872	1,262	1,117	246	273
Total	3,941	6,095	6,153	1,313	1,434
Percentage of revenue	7.5%	9.1%	7.9%	7.6%	6.2%
Share-based payments included in general and administrative expenses	610	1,437	1,424	221	212
General and administrative expenses excluding share-based payments	3,331	4,658	4,729	1,092	1,222
Percentage of revenue	6.3%	7.0%	6.1%	6.3%	5.3%

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Our general and administrative expenses primarily consist of (i) labor costs, consisting of employee benefits expenses including salaries, bonuses, benefits and share-based payments, and outsourced labor costs, for employees of our general corporate functions (ii) depreciation and amortization and (iii) other expenses, such as office and travel expenses, [REDACTED] expenses and auditor’s remuneration.

Product Development Expenses

The following table sets forth a breakdown of our product development expenses for the periods indicated:

	Year Ended March 31,			Three Months Ended June 30,	
	2021	2022	2023	2022	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(Unaudited)</i>				
	<i>(in millions, except for percentages)</i>				
Product development expenses					
Labor costs	1,496	2,235	2,430	544	581
Depreciation and amortization . .	6	12	16	4	5
Others	27	35	66	12	20
Total	1,529	2,282	2,512	560	606
Percentage of revenue	2.9%	3.4%	3.2%	3.2%	2.6%
Share-based payments included in product development expenses	214	460	577	86	89
Product development expenses excluding share-based payments	1,315	1,822	1,935	474	517
Percentage of revenue	2.5%	2.7%	2.5%	2.7%	2.2%

Our product development expenses primarily consist of (i) labor costs, consisting of employee benefits expenses including salaries, bonuses, benefits and share-based payments, and outsourced labor costs, for our product development personnel and (ii) depreciation and amortization. We expense all of our product development costs as they are incurred.

Reversal of/(Provision for) Impairment Losses on Financial Assets

Our reversal of/(provision for) impairment losses on financial assets primarily relate to credit loss allowance for our trade receivables and other receivables generated in the ordinary course of our business.

Other Income

Our other income primarily consists of (i) government grants, which mainly consist of additional deductions of value-added tax (“VAT”) pursuant to preferential tax policies and other subsidies by the PRC government, (ii) dividend income from financial assets at fair value

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through profit or loss (“FVPL”), mainly representing our investments in unlisted debt investments (such as convertible redeemable preferred shares) and listed equity securities of certain logistics companies, (iii) interest income derived from loans to related parties, including our investee companies and (iv) interest income received from FVPL. The government grants may not be recurring in nature, and we recognize the income when the grants are received and no further conditions need to be met.

Other Gains/(Losses) – Net

Our other gains or losses (net) primarily consist of (i) net foreign exchange gains or losses, (ii) fair value gains or losses on financial assets and liabilities at FVPL and gains from measurement of an associate to FVPL, mainly representing our investments in various investee companies, (iii) net losses on disposals of property, plant and equipment, (iv) gains or losses on early termination or modification of lease, (v) dilution gains on deemed disposal of an associate and (vi) gains from disposals of subsidiaries and their joint ventures.

Finance Costs – Net

Our finance income primarily consists of (i) interest income from term deposits with initial term of over three months and (ii) interest income from other bank deposits. Our finance costs primarily consist of (i) return for investor’s investment in consolidated limited partnerships, (ii) interest expenses on bank borrowings, (iii) interest expenses on asset-backed securities (“ABS”), which represent asset-backed securities that we issued to securitize certain warehouse assets, (iv) interest expenses on lease liabilities and (v) interest expenses on borrowings from related parties. For details of the consolidated partnerships, see “— Indebtedness — Other Financial Liabilities.”

Share of (Loss)/Profit of Associates and Joint Ventures Accounted for Using the Equity Method

We have made investments in associates and joint ventures that are accounted for using the equity method. We make strategic investments in companies from time to time. Some of these investee companies are at an early stage of their development and are therefore loss-making, while others are more stable and profit-making. As a result, we share these losses and profits in proportion to our equity interests in these associates and joint ventures.

Income Tax Expenses

Income tax expenses is comprised of current income tax, mainly attributable to our profitable subsidiaries in China, and deferred income tax.

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TAXATION

Cayman Islands and BVI Tax

We are not subject to any taxation in the Cayman Islands and the BVI during the Track Record Period.

Hong Kong Profits Tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax of which the tax rate is 8.25% for assessable profits in the first HK\$2 million and 16.5% for any assessable profits in excess.

No provision for Hong Kong profits tax was made as we had no estimated assessable profit that was subject to Hong Kong profits tax during the Track Record Period.

PRC Corporate Income Tax (“CIT”)

PRC CIT has been provided for at applicable tax rates under the relevant regulations of the PRC after considering the available preferential tax benefits from refunds and allowances, and on the estimated assessable profit of entities within us established in Chinese Mainland. The statutory PRC CIT rate is 25% during the Track Record Period.

Certain subsidiaries of us in Chinese Mainland are approved as High and New Technology Enterprises and are subject to a preferential CIT rate of 15% during the Track Record Period. We will apply to renew the High and New Technology Enterprise status after it expires in 2024. See “Risk Factors — Risks Related to Doing Business in the People’s Republic of China — Discontinuation of preferential tax treatments we currently enjoy or other unfavorable changes in tax law could result in additional compliance obligations and costs.”

In addition, certain of our subsidiaries in Chinese Mainland were subject to Small and Thin-profit Enterprises under the CIT Law, whose preferential income tax rate was 20% during the Track Record Period.

PRC Withholding Tax

Pursuant to the CIT Law, a 10% withholding tax is levied on dividends declared by companies established in Chinese Mainland to foreign investors effective from January 1, 2008. The withholding tax rate may be lowered to a minimum of 5% if there is a tax arrangement between Chinese Mainland and the jurisdiction of the foreign investors. However, the 5% withholding tax rate does not automatically apply and certain requirements must be satisfied.

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In addition, if a non-PRC resident enterprise indirectly transfers PRC taxable properties, including equity investments in a PRC tax resident enterprise, by disposing of equity interest in an overseas holding company, such an indirect transfer will be deemed as a direct transfer of PRC taxable properties and gains derived from such indirect transfer may be subject to the PRC withholding tax at a rate of up to 10%.

NON-IFRS MEASURES

To supplement our consolidated financial statements, which are presented in accordance with IFRSs, we also use adjusted net (loss)/profit and adjusted EBITDA as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe such non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items which our management considers non-indicative of our operating performance, and they provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management.

However, our presentation of such non-IFRS measures may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as substitutes for an analysis of, our results of operations or financial condition as reported under IFRSs. Our presentation of such non-IFRS measures should not be construed as an implication that our future results will be unaffected by unusual or non-recurring items.

Adjusted net (loss)/profit represents (loss)/profit for the year/period excluding the effects of (i) certain non-cash expenses, consisting of share-based payments, (ii) items which we do not believe are reflective of our core operating performance during the periods presented, including currency translation difference in connection with certain inter-company loans, losses or gains on fair value changes, disposals, or deemed disposals of investments and other assets, non-cash portion of return for investor's investment in consolidated limited partnerships, impairment losses on associates and joint ventures accounted for using the equity method, and amortization of intangible assets resulting from acquisitions, and (iii) items that are typically one-off and non-recurring in nature, including [REDACTED] expenses.

Adjusted EBITDA represents profit/(loss) for the year/period excluding the effects of (i) certain non-cash expenses, consisting of share-based payments, (ii) items which we do not believe are reflective of our core operating performance during the periods presented, including currency translation difference in connection with certain inter-company loans, losses or gains on fair value changes, disposals, or deemed disposals of investments and other assets, and impairment losses on associates and joint ventures accounted for using the equity method, (iii) items that are typically one-off and non-recurring in nature, including [REDACTED] expenses, and (iv) finance costs, finance income, depreciation of and impairment losses on property, plant and equipment, investment properties and other right-of-use assets, amortization of and impairment losses on right-of-use assets (land use rights), amortization of intangible assets, and income tax expenses.

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The following tables set forth the reconciliations of our non-IFRS financial measures for the periods indicated to the nearest measure prepared in accordance with IFRS:

	Year Ended March 31,			Three Months Ended June 30,	
	2021	2022	2023	2022	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(Unaudited)</i>				
	<i>(in millions, except for percentages)</i>				
(Loss)/profit for the year/period	(2,015)	(2,286)	(2,801)	(370)	288
Add:					
Share-based payments	849	2,002	2,146	322	323
Currency translation difference in connection with certain inter-company loans.	(369)	(159)	515	153	59
Losses/(gains) on fair value changes, disposals, or deemed disposals of investments and other assets.	237	(1,165)	(351)	(200)	301
Non-cash portion of return for investor’s investment in consolidated limited partnerships	414	435	456	98	103
Impairment losses on associates and joint ventures accounted for using the equity method	–	–	229	–	–
Amortization of intangible assets resulting from acquisitions	74	72	72	18	18
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Tax effects of non-IFRS adjustments	(19)	71	13	9	(11)
Adjusted net (loss)/profit for the year/period	(829)	(1,030)	279	30	1,093
Adjusted net (loss)/profit margin.	(1.6%)	(1.5%)	0.4%	0.2%	4.7%

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	Year Ended March 31,			Three Months Ended June 30,	
	2021	2022	2023	2022	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(Unaudited)</i>				
	<i>(in millions, except for percentages)</i>				
(Loss)/profit for the year/period	(2,015)	(2,286)	(2,801)	(370)	288
Add:					
Finance costs	1,140	1,214	1,258	270	323
Finance income	(509)	(310)	(437)	(71)	(172)
Share-based payments	849	2,002	2,146	322	323
Currency translation difference in connection with certain inter-company loans	(369)	(159)	515	153	59
Losses/(gains) on fair value changes, disposals, or deemed disposals of investments and other assets	237	(1,165)	(351)	(200)	301
Impairment losses on associates and joint ventures accounted for using the equity method	–	–	229	–	–
Depreciation of and impairment losses on property, plant and equipment, investment properties and other right-of-use assets	1,443	1,476	1,855	419	581
Amortization of and impairment losses on right-of-use assets (land use rights)	78	83	100	27	23
Amortization of intangible assets	84	81	80	20	19
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Income tax expenses	98	219	279	64	50
Adjusted EBITDA for the year/period	<u>1,036</u>	<u>1,155</u>	<u>2,873</u>	<u>634</u>	<u>1,807</u>
Adjusted EBITDA margin	2.0%	1.7%	3.7%	3.7%	7.8%

FINANCIAL INFORMATION

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022

Revenue

	Three Months Ended June 30,		% Change
	2022	2023	
	RMB	RMB	
	(Unaudited)		
	(in millions, except for percentages)		
Revenue			
International logistics	7,901	11,131	41%
China logistics	8,562	10,602	24%
Technology and other services	873	1,431	64%
Total revenue	17,336	23,164	34%

Our revenue increased by 34% from RMB17,336 million in the three months ended June 30, 2022 to RMB23,164 million in the three months ended June 30, 2023, primarily due to the growth in our international logistics services and China logistics services.

International logistics. Revenue from international logistics services increased by 41% from RMB7,901 million in the three months ended June 30, 2022 to RMB11,131 million in the three months ended June 30, 2023, primarily driven by the significant growth of our cross-border express delivery services provided to merchants active on AliExpress, as well as to support AliExpress’ new product offering, *Choice*. The parcel volume of our international logistics business increased from 347 million in the three months ended June 30, 2022 to 439 million in the three months ended June 30, 2023. In addition, the growth in international logistics business continued to be propelled by our efforts in innovating products and services and our customers’ increasing usage of upgraded services. We also continued to grow our overseas local delivery services.

China logistics. Revenue from China logistics services increased by 24% from RMB8,562 million in the three months ended June 30, 2022 to RMB10,602 million in the three months ended June 30, 2023, primarily due to significant growth in our premium express delivery services, including reverse logistics and *Cainiao Express* and, to a lesser extent, growth in our vertical supply chain solutions. The number of logistics orders fulfilled by our China logistics business increased from 545 million in the three months ended June 30, 2022 to 736 million in the three months ended June 30, 2023.

Technology and other services. Revenue from technology and other services increased by 64% from RMB873 million in the three months ended June 30, 2022 to RMB1,431 million in the three months ended June 30, 2023, primarily due to the successful delivery of additional logistics technology projects in the three months ended June 30, 2023.

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Cost of Revenue

	Three Months Ended June 30,		% Change
	2022	2023	
	<i>RMB</i>	<i>RMB</i>	
	<i>(Unaudited)</i>		
	<i>(in millions, except for percentages)</i>		
Cost of Revenue			
Fulfillment costs	13,432	16,435	22%
Labor costs	1,575	2,861	82%
Depreciation and amortization	425	584	37%
Others	64	99	55%
Total	15,496	19,979	29%
Percentage of revenue	89.4%	86.3%	

Our cost of revenue increased by 29% from RMB15,496 million in the three months ended June 30, 2022 to RMB19,979 million in the three months ended June 30, 2023, primarily driven by the growth of line-haul and delivery costs, which in turn resulted from our expanded logistics services and network. As we transitioned from purchasing logistics services to hiring additional personnel to support the growth of our self-operated express delivery business, *Cainiao Express*, our labor costs increased significantly, while we incurred less fulfillment costs for such business accordingly.

Our cost of revenue as a percentage of revenue decreased from 89.4% to 86.3% during these respective periods, primarily because (i) costs relating to cross-border line-haul transportation were reduced due to the positive recovery from geopolitical and macroeconomic conditions, which were not fully reflected in our prices to customers for the three months ended June 30, 2023 and (ii) we enhanced efficiency and optimized costs across our logistics operations. As we share the benefits of the cost reductions with our customers, we expect our cost of revenue as a percentage of revenue to normalize in the second half of fiscal year 2024.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 73% from RMB1,840 million in the three months ended June 30, 2022 to RMB3,185 million in the three months ended June 30, 2023, while our gross margin increased from 10.6% to 13.7% during the respective periods. For the impacts of external market factors on our margins, see “— Impacts of the COVID-19 Pandemic and Geopolitical Conflicts.”

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Sales and Marketing Expenses

	Three Months Ended June 30,		% Change
	2022	2023	
	RMB	RMB	
	(Unaudited)		
	(in millions, except for percentages)		
Sales and marketing expenses			
Promotion and advertising expenses	55	101	84%
Labor costs	176	171	(3%)
Others	11	12	9%
Total	242	284	17%
Percentage of revenue	1.4%	1.2%	
Share-based payments included in sales and marketing expenses	11	12	9%
Sales and marketing expenses excluding share-based payments	231	272	18%
Percentage of revenue	1.3%	1.2%	

Our sales and marketing expenses increased by 17% from RMB242 million in the three months ended June 30, 2022 to RMB284 million in the three months ended June 30, 2023, primarily due to an increase in marketing and promotional activities as we grow our business. As a percentage of our revenue, our sales and marketing expenses remained relatively stable at 1.4% and 1.2% during the same periods. Our sales and marketing expenses, excluding share-based payments, as a percentage of revenue would have decreased from 1.3% in the three months ended June 30, 2022 to 1.2% in the three months ended June 30, 2023.

General and Administrative Expenses

	Three Months Ended June 30,		% Change
	2022	2023	
	RMB	RMB	
	(Unaudited)		
	(in millions, except for percentages)		
General and administrative expenses			
Labor costs	1,029	1,126	9%
Depreciation and amortization	38	35	(8%)
Others	246	273	11%
Total	1,313	1,434	9%
Percentage of revenue	7.6%	6.2%	
Share-based payments included in general and administrative expenses	221	212	(4%)
General and administrative expenses excluding share-based payments	1,092	1,222	12%
Percentage of revenue	6.3%	5.3%	

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Our general and administrative expenses increased by 9% from RMB1,313 million in the three months ended June 30, 2022 to RMB1,434 million in the three months ended June 30, 2023, primarily due to an increase in average wages and social benefits of our employees of general corporate functions. As a percentage of our revenue, our general and administrative expenses declined from 7.6% to 6.2% during the same periods. General and administrative expenses, excluding share-based payments, as a percentage of revenue would have decreased from 6.3% in the three months ended June 30, 2022 to 5.3% in the three months ended June 30, 2023. Such decrease was primarily attributable to economies of scale and efficiency improvement.

Product Development Expenses

	Three Months Ended June 30,		% Change
	2022	2023	
	<i>RMB</i>	<i>RMB</i>	
	<i>(Unaudited)</i>		
	<i>(in millions, except for percentages)</i>		
Product development expenses			
Labor costs	544	581	7%
Depreciation and amortization	4	5	25%
Others	12	20	67%
Total	560	606	8%
Percentage of revenue	3.2%	2.6%	
Share-based payments included in product development expenses	86	89	3%
Product development expenses excluding share-based payments	474	517	9%
Percentage of revenue	2.7%	2.2%	

Our product development expenses increased by 8% from RMB560 million in the three months ended June 30, 2022 to RMB606 million in the three months ended June 30, 2023, primarily due to an increase in average wages and social benefits of our product development employees. As a percentage of our revenue, our product development expenses decreased from 3.2% to 2.6% during the same periods. Our product development expenses, excluding share-based payments, as a percentage of revenue would have decreased from 2.7% in the three months ended June 30, 2022 to 2.2% in the three months ended June 30, 2023.

Provision for Impairment Losses on Financial Assets

Our provision for impairment losses on financial assets increased by 105% from RMB114 million in the three months ended June 30, 2022 to RMB234 million in the three months ended June 30, 2023, primarily due to an increase in our trade and other receivables, which in turn resulted from the growth of our services offered to merchants and logistics companies with credit terms.

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Other Income

Our other income increased from RMB58 million in the three months ended June 30, 2022 to RMB180 million in the three months ended June 30, 2023, primarily due to (i) an increase in additional VAT deductions and government subsidies and (ii) an increase in interest and dividend we received from certain investee companies.

Other Gains/(Losses) – Net

We recorded other gains (net) of RMB46 million in the three months ended June 30, 2022, as compared to other losses (net) of RMB310 million in the three months ended June 30, 2023, primarily due to (i) fair value losses on financial assets and liabilities at FVPL of RMB301 million in the three months ended June 30, 2023, as compared to fair value gains on financial assets and liabilities at FVPL of RMB200 million in the same period in 2022 and (ii) the impact of foreign exchange rate fluctuations.

Finance Income

Our finance income increased by 142% from RMB71 million in the three months ended June 30, 2022 to RMB172 million in the three months ended June 30, 2023, primarily due to an increase in our term deposits with initial terms of over three months and other bank deposits.

Finance Costs

Our finance costs increased by 20% from RMB270 million in the three months ended June 30, 2022 to RMB323 million in the three months ended June 30, 2023, primarily due to an increase in bank borrowings.

Share of Profit/(Loss) of Associates and Joint Ventures Accounted for Using the Equity Method

We recorded share of profit of RMB178 million in the three months ended June 30, 2022, as compared to share of loss of RMB8 million in the three months ended June 30, 2023, which resulted from a decrease in the profit of equity investees.

Income Tax Expenses

Our income tax expenses amounted to RMB64 million in the three months ended June 30, 2022, compared to RMB50 million in the three months ended June 30, 2023.

(Loss)/Profit for the Period

As a result of the foregoing, we recorded net profit of RMB288 million in the three months ended June 30, 2023, as compared to net loss of RMB370 million in the three months ended June 30, 2022.

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Fiscal Year 2023 Compared to Fiscal Year 2022

Revenue

	Year Ended March 31,		% Change
	2022	2023	
	RMB	RMB	
	<i>(in millions, except for percentages)</i>		
Revenue			
International logistics	34,970	36,851	5%
China logistics	27,092	35,961	33%
Technology and other services	4,805	4,988	4%
Total revenue	66,867	77,800	16%

Our revenue increased by 16% from RMB66,867 million in fiscal year 2022 to RMB77,800 million in fiscal year 2023, primarily due to the significant growth in our China logistics services.

International logistics. Our revenue from international logistics services increased by 5% from RMB34,970 million in fiscal year 2022 to RMB36,851 million in fiscal year 2023. Due to the impacts of various external factors, such as geopolitical conflicts, COVID-19 and the change in the EU’s VAT rules in July 2021, the parcel volume of our international logistics business decreased from 1,679 million in fiscal year 2022 to 1,519 million in fiscal year 2023. Nevertheless, we achieved revenue growth primarily due to (i) price adjustments to reflect prevailing market conditions, and (ii) growth in our global supply chain services, benefiting from our resilient global network that effectively supported customers’ cross-border logistics needs. We also continued to grow our overseas local delivery services.

China logistics. Our revenue from China logistics services increased by 33% from RMB27,092 million in fiscal year 2022 to RMB35,961 million in fiscal year 2023, primarily due to (i) a significant increase in revenue from our premium express delivery services (particularly reverse logistics) as a result of service model upgrade since late 2021, whereby we offered more standardized and reliable services across the end-to-end logistics process and increased the overall customer base and (ii) to a lesser extent, growth in our vertical supply chain solutions. The number of logistics orders fulfilled by our China logistics business increased from 1,462 million in fiscal year 2022 to 2,311 million in fiscal year 2023.

Technology and other services. Our revenue from technology and other services remained relatively stable at RMB4,805 million and RMB4,988 million in fiscal year 2022 and 2023, respectively. Revenue from logistics technology increased year-over-year, offset by a decrease in our advertisement and promotion revenue due to the impact of macroeconomic conditions and COVID-19.

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Cost of Revenue

	Year Ended March 31,		% Change
	2022	2023	
	RMB	RMB	
	<i>(in millions, except for percentages)</i>		
Cost of Revenue			
Fulfillment costs	51,747	59,719	15%
Labor costs	6,165	7,760	26%
Depreciation and amortization	1,507	1,879	25%
Others	267	295	10%
Total	59,686	69,653	17%
Percentage of revenue	89.3%	89.5%	

Our cost of revenue increased by 17% from RMB59,686 million in fiscal year 2022 to RMB69,653 million in fiscal year 2023, which is in line with the growth of our logistics services and network. Our cost of revenue as a percentage of revenue remained relatively stable at 89.3% and 89.5% in the respective years. This is mainly attributable to our ability to improve efficiency and optimize costs across logistics operations, which helped us effectively offset the impact of (i) a significant increase in fulfillment costs caused by geopolitical conflicts and COVID-19, as well as (ii) additional costs associated with the expansion of our vertical supply chain solutions.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 13% from RMB7,181 million in fiscal year 2022 to RMB8,147 million in fiscal year 2023, while our gross margin remained relatively stable at 10.7% and 10.5% in the respective years.

Sales and Marketing Expenses

	Year Ended March 31,		% Change
	2022	2023	
	RMB	RMB	
	<i>(in millions, except for percentages)</i>		
Sales and marketing expenses			
Promotion and advertising expenses	1,034	410	(60%)
Labor costs	687	760	11%
Others	38	46	21%
Total	1,759	1,216	(31%)
Percentage of revenue	2.7%	1.6%	
Share-based payments included in sales and marketing expenses	75	91	21%
Sales and marketing expenses excluding share-based payments	1,684	1,125	(33%)
Percentage of revenue	2.5%	1.4%	

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Our sales and marketing expenses decreased by 31% from RMB1,759 million in fiscal year 2022 to RMB1,216 million in fiscal year 2023, primarily due to our increased use of price discounts offered through our Cainiao App as part of our product promotions strategy, which were not recognized as sales and marketing expenses but rather deducted from revenue. For the same reason, as a percentage of our revenue, our sales and marketing expenses declined from 2.7% to 1.6% during the same years. Our sales and marketing expenses, excluding share-based payments, as a percentage of revenue would have decreased from 2.5% in fiscal year 2022 to 1.4% in fiscal year 2023.

General and Administrative Expenses

	Year Ended March 31,		% Change
	2022	2023	
	RMB	RMB	
	<i>(in millions, except for percentages)</i>		
General and administrative expenses			
Labor costs	4,712	4,896	4%
Depreciation and amortization	121	140	16%
Others	1,262	1,117	(11%)
Total	6,095	6,153	1%
Percentage of revenue	9.1%	7.9%	
Share-based payments included in general and administrative expenses	1,437	1,424	(1%)
General and administrative expenses excluding share-based payments	4,658	4,729	2%
Percentage of revenue	7.0%	6.1%	

Our general and administrative expenses remained relatively stable at RMB6,095 million in fiscal year 2022 and RMB6,153 million in fiscal year 2023. As a percentage of our revenue, our general and administrative expenses declined from 9.1% to 7.9% during the same years. General and administrative expense, excluding share-based payments, as a percentage of revenue would have decreased from 7.0% in fiscal year 2022 to 6.1% in fiscal year 2023. Such decrease was primarily attributable to economies of scale and efficiency improvement.

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Product Development Expenses

	Year Ended March 31,		% Change
	2022	2023	
	RMB	RMB	
	<i>(in millions, except for percentages)</i>		
Product development expenses			
Labor costs	2,235	2,430	9%
Depreciation and amortization	12	16	33%
Others	35	66	89%
Total	2,282	2,512	10%
Percentage of revenue	3.4%	3.2%	
Share-based payments included in product development expenses	460	577	25%
Product development expenses excluding share-based payments	1,822	1,935	6%
Percentage of revenue	2.7%	2.5%	

Our product development expenses increased by 10% from RMB2,282 million in fiscal year 2022 to RMB2,512 million in fiscal year 2023, primarily due to our continued investments in product development efforts and increased incentive compensation provided to product development personnel. As a percentage of our revenue, our product development expenses remained relatively stable at 3.4% and 3.2% during the same years. Product development expenses, excluding share-based payments, as a percentage of revenue would have remained relatively stable at 2.7% in fiscal year 2022 and 2.5% in fiscal year 2023.

Provision for Impairment Losses on Financial Assets

Our provision for impairment losses on financial assets increased by 55% from RMB182 million in fiscal year 2022 to RMB283 million in fiscal year 2023, primarily due to an increase in our trade and other receivables, which in turn resulted from the growth of our services offered to merchants and logistics companies with credit terms.

Other Income

Our other income decreased by 7% from RMB529 million in fiscal year 2022 to RMB490 million in fiscal year 2023 primarily due to a decrease in government subsidies. The decrease was partially offset by an increase in dividend we received from certain investee companies.

Other Gains/(Losses) — Net

We recorded other gains (net) of RMB1,304 million in fiscal year 2022, compared to other losses (net) of RMB174 million in fiscal year 2023. The change was primarily driven by (i) a decrease in fair value gains on financial assets and liabilities at fair value through profit or loss and gains from measurement of an associate to FVPL and (ii) the impact of foreign exchange rate fluctuations.

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Finance Income

Our finance income increased by 41% from RMB310 million in fiscal year 2022 to RMB437 million in fiscal year 2023, primarily due to increases in term deposits.

Finance Costs

Our finance costs remained relatively stable at RMB1,214 million in fiscal year 2022 and RMB1,258 million in fiscal year 2023.

Share of Profit of Associates and Joint Ventures Accounted for Using the Equity Method

We recorded share of profit of associates and joint ventures accounted for using equity method of RMB141 million and RMB229 million in fiscal years 2022 and 2023, respectively, primarily driven by our interest in an equity investee, in which we invested during fiscal year 2022 and recognized the full-year share of profits in fiscal year 2023.

Income Tax Expenses

Our income tax expenses amounted to RMB219 million in fiscal year 2022, compared to RMB279 million in fiscal year 2023.

Loss for the Year

As a result of the foregoing, our loss for the year increased by 23% from RMB2,286 million in fiscal year 2022 to RMB2,801 million in fiscal year 2023.

Fiscal Year 2022 Compared to Fiscal Year 2021

Revenue

	Year ended March 31,		% Change
	2021	2022	
	<i>RMB</i>	<i>RMB</i>	
	<i>(in millions, except percentages)</i>		
Revenue			
International logistics	29,038	34,970	20%
China logistics	20,066	27,092	35%
Technology and other services	3,629	4,805	32%
Total revenue	52,733	66,867	27%

Our revenue increased by 27% from RMB52,733 million in fiscal year 2021 to RMB66,867 million in fiscal year 2022, primarily due to the growth in our international logistics services and China logistics services.

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International logistics. Our revenue from international logistics services increased by 20% from RMB29,038 million in fiscal year 2021 to RMB34,970 million in fiscal year 2022, primarily due to the significant growth of our cross-border express delivery services provided to merchants active on AliExpress. This in turn was the result of (i) our innovative products and services, such as our upgraded cross-border express delivery services, and (ii) our resilient global network that effectively facilitated cross-border deliveries during COVID-19. Our logistics network and capabilities helped us mitigate the impact of external factors, such as the change in the EU’s VAT rules in July 2021 that adversely affected cross-border e-commerce sales into the EU. The parcel volume of our international logistics business increased from 1,381 million in fiscal year 2021 to 1,679 million in fiscal year 2022.

China logistics. Our revenue from China logistics services increased by 35% from RMB20,066 million in fiscal year 2021 to RMB27,092 million in fiscal year 2022, primarily due to continued growth in our premium express delivery services, particularly reverse logistics, as well as growth in our vertical supply chain solutions. The number of logistics orders fulfilled by our China logistics business increased from 1,116 million in fiscal year 2021 to 1,462 million in fiscal year 2022.

Technology and other services. Our revenue from our technology and other services increased by 32% from RMB3,629 million in fiscal year 2021 to RMB4,805 million in fiscal year 2022, driven in part by (i) increased advertisement and promotion revenue through our Cainiao App, (ii) increased leasing revenue from expanded logistics facilities available for lease and (iii) the launch of our logistics technology solutions for external customers in 2021.

Cost of Revenue

	Year Ended March 31,		% Change
	2021	2022	
	RMB	RMB	
	<i>(in millions, except for percentages)</i>		
Cost of Revenue			
Fulfillment costs	40,933	51,747	26%
Labor costs	4,576	6,165	35%
Depreciation and amortization	1,486	1,507	1%
Others	194	267	38%
Total	47,189	59,686	26%
Percentage of revenue	89.5%	89.3%	

Our cost of revenue increased by 26% from RMB47,189 million in fiscal year 2021 to RMB59,686 million in fiscal year 2022, which is in line with the growth of our logistics services and network. Our cost of revenue as a percentage of revenue remained relatively stable at 89.5% and 89.3% in the respective years. This is mainly attributable to our ability to improve efficiency and optimize costs across logistics operations, which helped us effectively mitigate the negative impact of external market factors.

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Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 30% from RMB5,544 million in fiscal year 2021 to RMB7,181 million in fiscal year 2022, while our gross margin remained relatively stable at 10.5% and 10.7% in the respective years.

Sales and Marketing Expenses

	Year Ended March 31,		% Change
	2021	2022	
	RMB	RMB	
	<i>(in millions, except for percentages)</i>		
Sales and marketing expenses			
Promotion and advertising expenses	1,064	1,034	(3%)
Labor costs	438	687	57%
Others	32	38	19%
Total	1,534	1,759	15%
Percentage of revenue	2.9%	2.7%	
Share-based payments included in sales and marketing expenses	25	75	200%
Sales and marketing expenses excluding share-based payments	1,509	1,684	12%
Percentage of revenue	2.9%	2.5%	

Our sales and marketing expenses increased by 15% from RMB1,534 million in fiscal year 2021 to RMB1,759 million in fiscal year 2022, primarily due to an expansion of our sales and marketing team. As a percentage of our revenue, our sales and marketing expenses remained relatively stable at 2.9% and 2.7% during the same years. Our sales and marketing expenses, excluding share-based payments, as a percentage of revenue would have decreased from 2.9% in fiscal year 2021 to 2.5% in fiscal year 2022.

General and Administrative Expenses

	Year Ended March 31,		% Change
	2021	2022	
	RMB	RMB	
	<i>(in millions, except for percentages)</i>		
General and administrative expenses			
Labor costs	2,956	4,712	59%
Depreciation and amortization	113	121	7%
Others	872	1,262	45%
Total	3,941	6,095	55%
Percentage of revenue	7.5%	9.1%	
Share-based payments included in general and administrative expenses	610	1,437	136%
General and administrative expenses excluding share-based payments	3,331	4,658	40%
Percentage of revenue	6.3%	7.0%	

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Our general and administrative expenses increased by 55% from RMB3,941 million in fiscal year 2021 to RMB6,095 million in fiscal year 2022, primarily due to (i) additions of managerial personnel to support the expansion of our global network and capabilities and (ii) an increase in our share-based compensation as a result of new share grants and fair market value increases. As a percentage of our revenue, our general and administrative expenses increased from 7.5% to 9.1% during the same years. Our general and administrative expenses, excluding share-based payments, as a percentage of revenue would have increased from 6.3% in fiscal year 2021 to 7.0% in fiscal year 2022.

Product Development Expenses

	Year Ended March 31,		% Change
	2021	2022	
	RMB	RMB	
	<i>(in millions, except for percentages)</i>		
Product development expenses			
Labor costs	1,496	2,235	49%
Depreciation and amortization	6	12	100%
Others	27	35	30%
Total	1,529	2,282	49%
Percentage of revenue	2.9%	3.4%	
Share-based payments included in product development expenses	214	460	115%
Product development expenses excluding share-based payments	1,315	1,822	39%
Percentage of revenue	2.5%	2.7%	

Our product development expenses increased by 49% from RMB1,529 million in fiscal year 2021 to RMB2,282 million in fiscal year 2022, primarily due to (i) the hiring of additional product development personnel as we continued to focus on innovations and (ii) an increase in our share-based compensation as a result of new share grants and fair market value increases. As a percentage of our revenue, our product development expenses increased from 2.9% to 3.4% during the same years. Our product development expenses, excluding share-based payments, as a percentage of revenue would have increased from 2.5% in fiscal year 2021 to 2.7% in fiscal year 2022.

Reversal of/(Provision for) Impairment Losses on Financial Assets

We recorded reversal of impairment losses on financial assets of RMB1 million in fiscal year 2021, compared to provision for impairment losses on financial assets of RMB182 million in fiscal year 2022. The provision made in fiscal year 2022 was primarily due to an increase in our trade and other receivables, which in turn resulted from the growth of our services offered to merchants and logistics companies with credit terms.

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Other Income

Our other income increased by 213% from RMB169 million in fiscal year 2021 to RMB529 million in fiscal year 2022, primarily due to an increase in additional VAT deductions, as well as an increase in government subsidies.

Other Gains — Net

We recorded other gains (net) of RMB37 million in fiscal year 2021, compared to other gains (net) of RMB1,304 million in fiscal year 2022. The change was primarily driven by (i) fair value losses on financial assets and liabilities at FVPL and gains from measurement of an associate to FVPL of RMB273 million in fiscal year 2021, as compared to fair value gains of RMB1,165 million in fiscal year 2022, and (ii) the impact of foreign exchange rate fluctuations.

Finance Income

Our finance income decreased by 39% from RMB509 million in fiscal year 2021 to RMB310 million in fiscal year 2022, primarily due to decreases in the average balance of our term deposits with initial terms of over three months and other bank deposits.

Finance Costs

Our finance costs remained relatively stable at RMB1,140 million in fiscal year 2021 and RMB1,214 million in fiscal year 2022.

Share of (Loss)/Profit of Associates and Joint Ventures Accounted for Using the Equity Method

We recorded share of loss of associates and joint ventures accounted for using the equity method of RMB33 million in fiscal year 2021, compared to share of profit of associates and joint ventures accounted for using the equity method of RMB141 million in fiscal year 2022. The change was primarily driven by additional investments we made in logistics companies that were profit-making.

Income Tax Expenses

Our income tax expenses amounted to RMB98 million in fiscal year 2021, compared to RMB219 million in fiscal year 2022.

Loss for the Year

As a result of the foregoing, our loss for the year increased by 13% from RMB2,015 million in fiscal year 2021 to RMB2,286 million in fiscal year 2022.

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DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

Discussion of Current Assets and Liabilities

The table below sets forth information on current assets and current liabilities from our consolidated statements of financial position as of the dates indicated:

	As of March 31,			As of	As of
	2021	2022	2023	June 30, 2023	July 31, 2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in millions)</i>				
Current Assets					
Inventories	93	146	153	205	195
Financial assets at fair value through profit or loss	65	–	995	782	782
Trade, other receivables and prepayments	5,580	7,042	9,931	10,340	10,464
Restricted cash	206	117	42	45	45
Cash and cash equivalents	11,819	10,198	8,784	15,508	16,352
Term deposits	8,492	–	6,104	3,334	2,573
Total current assets	26,255	17,503	26,009	30,214	30,411
Current Liabilities					
Borrowings	3,024	4,439	1,961	2,015	2,993
Financial liabilities designated at fair value through profit or loss	–	21	21	21	21
Other financial liabilities	1,513	354	320	358	358
Current tax liabilities	135	153	283	183	138
Trade and other payables	11,699	14,735	16,973	20,158	20,014
Contract liabilities	1,639	1,358	2,260	1,848	1,533
Lease liabilities	388	426	582	649	646
Total current liabilities	18,398	21,486	22,400	25,232	25,703
Net current assets/(liabilities)	7,857	(3,983)	3,609	4,982	4,708

We had net current liabilities of RMB3,983 million as of March 31, 2022 compared to net current assets of RMB7,857 million as of March 31, 2021, mainly attributable to (i) a decrease of RMB8,492 million in term deposits due to our funds utilization and cash management decisions, (ii) a decrease of RMB1,621 million cash and cash equivalents primarily due to an increase in cash utilization for equity investments, (iii) an increase in trade and other payables of RMB3,036 million, which is in line with our business growth, and (iv) an increase of RMB1,415 million in current borrowings primarily to fund our logistics infrastructure constructions, partially offset by (i) an increase of RMB1,462 million in trade, other receivables and prepayments due to our business growth and (ii) a decrease of RMB1,159 million in other financial liabilities in connection with our redemption of ABS in the fiscal year 2022.

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We had net current assets of RMB3,609 million as of March 31, 2023 compared to our net current liabilities of RMB3,983 million as of March 31, 2022, primarily attributable to (i) an increase of RMB6,104 million in term deposits due to our cash management decisions, (ii) an increase of RMB2,889 million in trade, other receivables and prepayments, which is in line with our business growth and (iii) a decrease of RMB2,478 million in current borrowings due to our efforts to optimize liability management, partially offset by (i) a decrease of RMB1,414 million in cash and cash equivalents primarily due to our investments in wealth management products, and (ii) an increase of RMB2,238 million in trade and other payables in line with our business growth.

Our net current assets increased from RMB3,609 million as of March 31, 2023 to RMB4,982 million as of June 30, 2023, primarily attributable to an increase of cash and cash equivalents of RMB6,724 million due to an increase in borrowings and cash generated from operating activities, partially offset by (i) a decrease in term deposits of RMB2,770 million driven by our cash management decisions and (ii) an increase in trade and other payables of RMB3,185 million, primarily due to an increase in procurement during our promotional events in mid-June.

Our net current assets decreased from RMB4,982 million as of June 30, 2023 to RMB4,708 million as of July 31, 2023, primarily due to (i) a decrease in term deposits of RMB761 million driven by our cash management decisions and (ii) an increase in current borrowings of RMB978 million as a result of reclassification of long-term borrowings that became due within one year, partially offset by (i) an increase of cash and cash equivalents of RMB844 million due to an increase in borrowings and cash generated from operating activities and (ii) a decrease in contract liabilities of RMB315 million, primarily due to revenue recognition upon completion of certain logistics technology projects.

Trade, Other Receivables and Prepayments

Trade Receivables

Our trade receivables mainly represent amounts due from customers for services performed by us. The following table sets forth our trade receivables as of the dates indicated:

	As of March 31,			As of
	2021	2022	2023	June 30, 2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in millions)</i>			
Trade receivables				
Related parties	2,452	3,614	4,902	5,928
Third parties	965	1,327	2,471	2,968
Less: Credit loss allowance	(131)	(218)	(304)	(533)
Total	3,286	4,723	7,069	8,363

FINANCIAL INFORMATION

Our trade receivables increased by 44% from RMB3,286 million as of March 31, 2021 to RMB4,723 million as of March 31, 2022, further increased by 50% to RMB7,069 million as of March 31, 2023, and further increased by 18% to RMB8,363 million as of June 30, 2023. The increases in trade receivables are primarily due to an increase in the proportion of our revenue generated from merchants and logistics companies with credit terms, which are generally in line with the growth of our business during the relevant periods. See “Risk Factors — Risks Related to Our Industry and Business — Our financial condition may be materially and adversely affected if we fail to collect trade receivables from our customers in a timely manner, or at all.”

As of July 31, 2023, approximately RMB3,211 million, or 38% of our trade receivables as of June 30, 2023 had been settled.

We typically grant our customers a credit period of 30 to 180 days. The substantial majority of our trade receivables are within three months of their respective dates of invoice.

The table below sets forth the aging analysis of our trade receivables based on invoice date:

	As of March 31,			As of
	2021	2022	2023	June 30,
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	2023
		<i>(in millions)</i>		<i>RMB</i>
Trade receivables				
Within 3 months	2,321	3,886	6,437	7,557
3 to 6 months	434	467	637	1,010
6 to 12 months	599	439	105	113
Over 12 months	63	149	194	216
Less: Credit loss allowance	(131)	(218)	(304)	(533)
Total	3,286	4,723	7,069	8,363

The table below sets forth the turnover days of our trade receivables for the periods indicated:

	Year Ended March 31,			Three
	2021	2022	2023	Months
				Ended
				June 30,
				2023
Trade receivables turnover days ⁽¹⁾	19	22	28	30

Note:

- (1) Calculated by dividing the average balance of trade receivables by revenues for the relevant period and multiplied by the number of days during the period. Average balance equals the sum of the beginning balance and ending balance for the period divided by two.

FINANCIAL INFORMATION

Our trade receivables turnover days remained relatively stable at 19 days in fiscal year 2021 and 22 days in fiscal year 2022. Our trade receivables turnover days increased to 28 days in fiscal year 2023, primarily due to an increase in the proportion of our revenue generated from merchants and logistics companies with credit terms. Our trade receivables turnover days remained relatively stable at 30 days in the three months ended June 30, 2023.

Other Receivables

Our other receivables primarily consist of (i) loans to related parties, including our investee companies, for their operation purposes (ii) rental and other deposits mainly in connection with lease agreements and customs clearance activities and (iii) amounts due from related parties, including Alibaba Group. Our gross other receivables remained relatively stable at RMB1,578 million and RMB1,623 million as of March 31, 2021 and 2022, respectively. Our gross other receivables increased by 25% to RMB2,036 million as of March 31, 2023, primarily due to an increase in amounts due from related parties as a result of the transfer of our equity in a subsidiary to Alibaba Group, which amounts have been settled as of June 30, 2023. As a result, our gross other receivables decreased to RMB1,514 million as of June 30, 2023.

Term Deposits

Our term deposits mainly represents bank deposits with original maturities over three months and redeemable on maturity. We hold term deposits primarily to improve financial returns on our cash resources. As of March 31, 2021, 2022 and 2023 and June 30, 2023, our term deposits amounted to RMB8,492 million, nil, RMB6,104 million and RMB3,334 million, respectively. Such changes were primarily driven by our cash management decisions, taking into account market factors such as U.S. dollar-denominated interest rate changes.

Trade and Other Payables

Trade Payables

Our trade payables primarily consist of payables to our suppliers. The following table sets forth our trade payables as of the dates indicated:

	As of March 31,			As of June 30,
	2021	2022	2023	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in millions)</i>			
Trade payables				
Related parties	2,652	3,442	4,082	4,009
Third parties	4,082	5,237	5,305	6,656
Total	6,734	8,679	9,387	10,665

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Our trade payables increased by 29% from RMB6,734 million as of March 31, 2021 to RMB8,679 million as of March 31, 2022, and further increased by 8% to RMB9,387 million as of March 31, 2023, which is in line with the growth of our cost and expenses due to our business expansion. Our trade payables increased by 14% to RMB10,665 million as of June 30, 2023, primarily due to an increase in the procurement during our promotional events in mid-June.

As of July 31, 2023, approximately RMB3,619 million, or 34% of our trade payables as of June 30, 2023 had been settled.

Our trade payables are non-interest-bearing and are normally settled in 30 to 120 days. The table below sets forth the aging analysis of our trade payables based on the invoice dates:

	As of March 31,			As of
	2021	2022	2023	June 30,
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	2023
	<i>(in millions)</i>			<i>RMB</i>
Trade payables				
Up to 6 months	6,601	8,466	9,056	10,413
6 months to 1 year	21	115	142	81
1 to 2 years	111	17	151	94
2 to 3 years	1	80	9	45
Over 3 years	–	1	29	32
Total	6,734	8,679	9,387	10,665

The table below sets forth the turnover days of our trade payables for the periods indicated:

	Year Ended March 31,			Three
	2021	2022	2023	Months
				Ended
				June 30,
				2023
Trade payables turnover days ⁽¹⁾	49	54	55	56

Note:

- (1) Calculated by dividing the average balance of trade payables by fulfillment costs for the relevant period and multiplied by the number of days during the period. Average balance equals the sum of the beginning balance and ending balance for the period divided by two.

Our trade payables turnover days increased from 49 days in fiscal year 2021 to 54 days in fiscal year 2022, primarily due to our business expansion and our ability to obtain more favorable credit terms from our suppliers. Our trade payables turnover days remained relatively stable at 55 days and 56 days in fiscal year 2023 and in the three months ended June 30, 2023, respectively.

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Other Payables

Our other payables primarily consist of (i) employee benefits payables, (ii) construction payables in connection with our logistics infrastructure, and (iii) other amounts due to, and loans from, related parties. Our other payables increased by 22% from RMB4,965 million as of March 31, 2021 to RMB6,056 million as of March 31, 2022, increased further by 25% to RMB7,586 million as of March 31, 2023 and increased further by 25% to RMB9,493 million as of June 30, 2023. Such increases in other payables were primarily driven by the expansion and development of our logistics infrastructure.

Discussion of Non-Current Assets and Liabilities

The table below sets forth information on non-current assets and non-current liabilities from our consolidated statements of financial position as of the dates indicated:

	As of March 31,			As of
	2021	2022	2023	June 30, 2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in millions)</i>			
Non-current assets				
Property, plant and equipment	11,795	13,309	17,459	18,314
Investment properties	4,124	6,537	6,927	7,142
Right-of-use assets (land use rights)	3,612	4,222	4,238	4,172
Other right-of-use assets	883	976	1,169	1,262
Intangible assets	218	137	68	50
Goodwill	4,256	4,256	4,348	4,353
Investments accounted for using the equity method	1,041	4,480	4,287	4,427
Deferred tax assets	150	171	321	338
Financial assets at fair value through profit or loss	3,148	6,752	6,664	7,088
Other receivables and prepayments	271	538	361	476
Total non-current assets	29,498	41,378	45,842	47,622
Non-current liabilities				
Borrowings	5,890	6,862	14,042	15,366
Lease liabilities	521	594	664	696
Financial liabilities designated at fair value through profit or loss	2	23	3	3
Long-term payables	–	14	19	12
Other financial liabilities	6,570	7,026	7,255	7,595
Deferred revenue	897	885	883	878
Deferred tax liabilities	50	121	136	122
Total non-current liabilities	13,930	15,525	23,002	24,672

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Property, Plant and Equipment

Our property, plant and equipment primarily consist of (i) freehold land, (ii) warehouses and buildings, (iii) machinery and equipment, (iv) office and other equipment, (v) leasehold improvements and others and (vi) construction in progress. The table below sets forth a breakdown of property, plant and equipment as of the dates indicated:

	As of March 31,			As of
	2021	2022	2023	June 30, 2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in millions)</i>			
Freehold land	312	307	317	221
Warehouses and buildings	6,605	7,696	9,872	10,207
Machinery and equipment	921	1,086	1,280	1,271
Office and other equipment	89	166	249	262
Leasehold improvements and others	161	231	266	259
Construction in progress	3,707	3,823	5,475	6,094
Total	11,795	13,309	17,459	18,314

Our property, plant and equipment increased by 13% from RMB11,795 million as of March 31, 2021 to RMB13,309 million as of March 31, 2022, and further increased by 31% to RMB17,459 million as of March 31, 2023, primarily due to the completion of construction of our logistics infrastructure, such as warehouses and buildings, and additions of construction in progress. For the same reason, our property, plant and equipment further increased by 5% to RMB18,314 million as of June 30, 2023. Such increases in warehouses and buildings were in line with the planned expansion of our global network of key assets and infrastructure that supports our business growth.

Investment Properties

Our investment properties primarily consist of warehouses and buildings that we hold and lease to other parties. We enter into such leases mainly to improve asset utilization.

Our investment properties increased by 59% from RMB4,124 million as of March 31, 2021 to RMB6,537 million as of March 31, 2022, primarily due to the completion of construction projects that expanded the aggregate gross floor areas of our warehouses and buildings available for lease. Our investment properties increased by 6% to RMB6,927 million as of March 31, 2023 and further increased by 3% to RMB7,142 million as of June 30, 2023. The growth of investment properties slowed primarily due to (i) a reduction in the number of newly completed construction projects as our global logistics network became more established, and (ii) an increase in the proportion of properties for internal use to support our business growth.

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Right-of-Use Assets (Land Use Rights)

Our right-of-use assets (land use rights) primarily consist of certain prepaid operating lease payments in respect of lands located in the PRC and Vietnam, on which our warehouses and buildings were built.

Our right-of-use assets (land use rights) increased by 17% from RMB3,612 million as of March 31, 2021 to RMB4,222 million as of March 31, 2022, primarily due to an increase in our land acquisitions to support the growth of our logistics infrastructure. Our right-of-use assets (land use rights) remained relatively stable at RMB4,238 million as of March 31, 2023 and at RMB4,172 million as of June 30, 2023.

Other Right-of-Use Assets

Our other right-of-use assets primarily consist of our leases of warehouses and offices.

Our other right-of-use assets increased by 11% from RMB883 million as of March 31, 2021 to RMB976 million as of March 31, 2022, increased further by 20% to RMB1,169 million as of March 31, 2023 and increased further by 8% to RMB1,262 million as of June 30, 2023. Such increases in our other right-of-use assets were primarily due to an increase in the number of warehouses we lease in support of our business expansion.

Goodwill

We record goodwill primarily in connection with acquisitions, which primarily related to our acquisitions of certain logistics businesses with delivery and warehouse operations for expanding our logistics network. Our goodwill remained relatively stable at RMB4,256 million as of March 31, 2021, RMB4,256 million as of March 31, 2022, RMB4,348 million as of March 31, 2023 and RMB4,353 million as of June 30, 2023.

We test such goodwill for impairment annually, or more frequently if events or changes indicate that it might be impaired. Goodwill impairment testing is performed by comparing the recoverable amounts of cash-generating units, which are determined based on value-in-use calculations, to the carrying amounts. As of March 31, 2021, 2022 and 2023, we performed goodwill impairment testing in accordance with International Accounting Standards ("IAS") 36 (impairment of assets). We determined that such goodwill was not impaired as of such dates since the recoverable amounts were significantly above the carrying amounts. The key assumptions we used in performing the value-in-use calculations include (i) annual revenue growth rates for a five-year period, which are aligned with our business plan, (ii) terminal revenue growth rates and (iii) pre-tax discount rates, which reflect market assessments of the time value and the specific risks relating to the industry. Considering that there was sufficient headroom based on the testing, we believe reasonable possible changes in key assumptions would not lead to impairment.

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Investments Accounted for Using the Equity Method

We have invested in associates and joint ventures. Our associates and joint ventures have been accounted by using the equity method based on the financial information of the associates and joint ventures prepared under the accounting policies consistent with us. Our investments in associates primarily relate to our equity interests in associates which mainly provide logistics services. Our investments in joint ventures primarily relate to our equity interests in an overseas investee which mainly provides warehousing and logistics services.

Our investments accounted for using the equity method increased by 330% from RMB1,041 million as of March 31, 2021 to RMB4,480 million as of March 31, 2022, primarily in connection with the equity investments we made in certain investee companies engaged in logistics business. Our investments accounted for using the equity method remained relatively stable at RMB4,287 million as of March 31, 2023 and RMB4,427 million as of June 30, 2023.

Financial Assets at Fair Value through Profit or Loss

Our non-current financial assets at fair value through profit or loss consist of (i) unlisted debt investments, (ii) listed equity securities and (iii) derivatives. For further details regarding our financial assets at fair value through profit or loss, see Note 24 to the Accountant’s Report set forth in Appendix I to this document.

The following table sets forth our non-current financial assets at fair value through profit or loss as of the dates indicated:

	As of March 31,			As of June 30,
	2021	2022	2023	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in millions)</i>			
Unlisted debt investments	1,546	5,258	5,040	5,618
Listed equity securities	1,602	1,369	1,564	1,398
Derivatives	–	125	60	72
Total	3,148	6,752	6,664	7,088

Our non-current financial assets at fair value through profit or loss increased by 114% from RMB3,148 million as of March 31, 2021 to RMB6,752 million as of March 31, 2022, primarily due to additional investments we made in various logistics businesses. Our non-current financial assets at fair value through profit or loss remained relatively stable at RMB6,752 million and RMB6,664 million as of March 31, 2022 and 2023, respectively. Our non-current financial assets at fair value through profit or loss further increased to RMB7,088 million as of June 30, 2023, primarily due to (i) an increase in the carrying amounts of our U.S. dollar denominated investments, partially offset by fair value losses of such investments, and (ii) reclassification of a convertible loan from current to non-current assets due to an extension of terms.

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Deferred Revenue

Our deferred revenue primarily consists of certain government grants and subsidies in support of the development of our logistics infrastructure. Our deferred revenue remained relatively stable at RMB897 million, RMB885 million, RMB883 million and RMB878 million as of March 31, 2021, 2022, 2023 and June 30, 2023, respectively.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we have funded our cash requirements primarily from cash generated from our operating activities, bank borrowings and funds raised through private placements. We had cash and cash equivalents of RMB11,819 million, RMB10,198 million, RMB8,784 million, RMB15,508 million and RMB16,352 million, respectively, as of March 31, 2021, 2022 and 2023, June 30, 2023 and July 31, 2023, respectively. Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from operating activities, other funds raised from the capital markets and bank borrowings from time to time and the [REDACTED] received from the [REDACTED]. We are not subject to any material financial covenants or other significant operating covenants under our existing indebtedness.

The following table sets out a summary of our cash flows for the periods indicated:

	Year Ended March 31,			Three Months Ended June 30,	
	2021	2022	2023	2022	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(Unaudited)</i>				
	<i>(in millions)</i>				
Net cash flows generated from/(used in) operating activities	4,934	2,330	1,859	(660)	1,071
Net cash flows (used in)/generated from investing activities	(13,098)	(2,777)	(11,296)	(1,284)	2,107
Net cash flows (used in)/generated from financing activities	(861)	(696)	7,625	2,374	3,375
Net (decrease)/increase in cash and cash equivalents	(9,025)	(1,143)	(1,812)	430	6,553
Cash and cash equivalents at the beginning of the year/period	22,319	11,819	10,198	10,198	8,784
Effects of exchange rate changes on cash and cash equivalents	(1,475)	(478)	398	386	171
Cash and cash equivalents at the end of the year/period	11,819	10,198	8,784	11,014	15,508

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Cash Flows from Operating Activities

Cash generated from operations in the three months ended June 30, 2023 was RMB1,250 million and primarily attributable to profit before income tax of RMB338 million, as adjusted for non-cash items and the effects of changes in working capital and other activities. Adjustments for non-cash items primarily included (i) depreciation of property, plant and equipment, investment properties and other right-of-use assets of RMB480 million and (ii) share-based compensation expenses of RMB323 million. Changes in working capital and other activities primarily consisted of (i) an increase in trade, other receivables and prepayments of RMB1,009 million and (ii) an increase in trade and other payables of RMB362 million.

Cash generated from operations in fiscal year 2023 was RMB2,140 million, which was primarily attributable to loss before income tax of RMB2,522 million, as adjusted for non-cash items and the effects of changes in working capital and other activities. Adjustments for non-cash items primarily included (i) share-based compensation expenses of RMB2,146 million and (ii) depreciation of property, plant and equipment, investment properties and other right-of-use assets of RMB1,737 million. Changes in working capital and other activities primarily consisted of (i) an increase in trade, other receivables and prepayments of RMB2,702 million and (ii) an increase in trade and other payables of RMB2,232 million.

Cash generated from operations in fiscal year 2022 was RMB2,475 million, which was primarily attributable to loss before income tax of RMB2,067 million, as adjusted for non-cash items and the effects of changes in working capital and other activities. Adjustments for non-cash items primarily included (i) share-based compensation expenses of RMB2,002 million and (ii) depreciation of property, plant and equipment, investment properties and other right-of-use assets of RMB1,476 million. Changes in working capital and other activities primarily consisted of (i) an increase in trade and other payables of RMB2,415 million and (ii) an increase in trade, other receivables and prepayments of RMB1,579 million.

Cash generated from operations in fiscal year 2021 was RMB5,042 million, which was primarily attributable to loss before income tax of RMB1,917 million, as adjusted for non-cash items and the effects of changes in working capital and other activities. Adjustments for non-cash items primarily included (i) depreciation of property, plant and equipment, investment properties and other right-of-use assets of RMB1,334 million and (ii) share-based compensation expenses of RMB849 million. Changes in working capital and other activities primarily consisted of (i) an increase in trade and other payables of RMB4,317 million and (ii) an increase in trade, other receivables and prepayments of RMB989 million.

Please see “— Discussion of Certain Key Balance Sheet Items — Discussion of Current Assets and Liabilities” for reasons of changes in working capital.

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Cash Flows from Investing Activities

Cash generated from investing activities was RMB2,107 million in the three months ended June 30, 2023 and was primarily attributable to withdrawal of term deposits with initial terms of over three months of RMB3,772 million, partially offset by (i) purchase of property, plant and equipment, investment properties, land use rights and intangible assets of RMB1,142 million and (ii) placement of term deposits with initial terms of over three months of RMB854 million.

Cash used in investing activities was RMB11,296 million in fiscal year 2023 and was primarily attributable to (i) placement of term deposits with initial terms of over three months of RMB11,969 million and (ii) purchase of property, plant and equipment, investment properties, land use rights and intangible assets of RMB5,593 million, primarily due to the expansion of our logistics network, partially offset by withdrawal of term deposits with initial terms of over three months of RMB5,835 million.

Cash used in investing activities was RMB2,777 million in fiscal year 2022 and was primarily attributable to (i) purchase of property, plant and equipment, investment properties, land use rights and intangible assets of RMB5,517 million, primarily due to the expansion of our logistics network, (ii) payments for acquisitions of investments in associates and joint ventures of RMB3,549 million, primarily in relation to our investment in certain associates and (iii) payments for acquisitions of financial assets at fair value through profit or loss of RMB2,285 million, primarily in relation to our investments in certain convertible debts and preferred shares, partially offset by withdrawal of term deposits with initial terms of over three months of RMB8,492 million.

Cash used in investing activities was RMB13,098 million in fiscal year 2021 and was primarily attributable to (i) placement of term deposits with initial terms of over three months of RMB13,838 million and (ii) purchase of property, plant and equipment, investment properties, land use rights and intangible assets of RMB4,458 million, primarily due to the expansion of our global logistics network, partially offset by withdrawal of term deposits with initial terms of over three months of RMB5,347 million.

Cash Flows from Financing Activities

Cash generated from financing activities was RMB3,375 million in the three months ended June 30, 2023 and was primarily attributable to (i) loans from related parties of RMB2,095 million and (ii) proceeds from borrowings of RMB1,832 million, partially offset by repayments of borrowings of RMB454 million.

Cash generated from financing activities was RMB7,625 million in fiscal year 2023 and was primarily attributable to (i) proceeds from borrowings of RMB9,854 million, (ii) proceeds from issuance of additional equity of non wholly-owned subsidiaries of RMB1,946 million and (iii) proceeds from partial disposals of equity interests in non-wholly-owned subsidiaries of RMB1,822 million, partially offset by repayments of borrowings of RMB5,169 million.

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Cash used in financing activities was RMB696 million in fiscal year 2022 and was primarily attributable to (i) repayments of borrowings of RMB6,250 million and (ii) repayments of ABS of RMB1,220 million, partially offset by proceeds from borrowings of RMB8,649 million.

Cash used in financing activities was RMB861 million in fiscal year 2021 and was primarily attributable to (i) repayments of borrowings of RMB2,611 million and (ii) payments for acquisitions of non-controlling interests of RMB1,150 million, partially offset by proceeds from borrowings of RMB4,067 million.

CAPITAL EXPENDITURES

Our capital expenditures have been incurred primarily in relation to purchase of property, plant and equipment, investment properties, land use rights and intangible assets to support our ordinary operations. In fiscal years 2021, 2022 and 2023 and the three months ended June 30, 2022 and 2023, our capital expenditures totaled RMB4,386 million, RMB5,490 million, RMB5,573 million, RMB1,326 million and RMB1,129 million, respectively.

The following table sets forth our capital expenditures as of the dates indicated:

	Year Ended March 31,			Three Months Ended June 30,	
	2021	2022	2023	2022	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in millions)</i>			<i>(Unaudited)</i>	
Purchase of property, plant and equipment, investment properties, land use rights and intangible assets	4,458	5,517	5,593	1,334	1,142
Proceeds from disposals of property, plant and equipment and land use rights	(72)	(27)	(20)	(8)	(13)
Total	4,386	5,490	5,573	1,326	1,129

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INDEBTEDNESS

The table below sets forth our indebtedness as of the dates indicated:

	As of March 31,			As of	As of
	2021	2022	2023	June 30, 2023	July 31, 2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i> <i>(Unaudited)</i>
	<i>(in millions)</i>				
Current:					
Borrowings	3,024	4,439	1,961	2,015	2,993
Lease liabilities	388	426	582	649	646
Other financial liabilities	1,513	354	320	358	358
Loans from related parties	–	100	830	2,941	2,949
Non-current:					
Borrowings	5,890	6,862	14,042	15,366	14,688
Lease liabilities	521	594	664	696	658
Financial liabilities designated at fair value through profit or loss	2	2	3	3	3
Other financial liabilities	6,570	7,026	7,255	7,595	7,664
Total	17,908	19,803	25,657	29,623	29,959

Borrowings

Our borrowings primarily consist of bank loans, a portion of which were secured by our warehouses, buildings, land use rights and investment properties. As of March 31, 2021, 2022 and 2023, June 30, 2023 and July 31, 2023, our total borrowings amounted to RMB8,914 million, RMB11,301 million, RMB16,003 million, RMB17,381 million and RMB17,681 million, respectively. The increase in our bank borrowings was primarily used for the expansion of our logistics infrastructure and working capital purposes. As of March 31, 2021, 2022 and 2023 and June 30, 2023, the effective interest rates for our bank borrowings were 2.90% to 5.29%, 2.45% to 5.24%, 2.10% to 9.14%, and 2.10% to 9.11%, respectively. For fiscal years 2021, 2022 and 2023 and the three months ended June 30, 2023, the weighted average effective interest rates were 3.92%, 3.86%, 3.92% and 3.86%, respectively.

As of July 31, 2023, we had unutilized credit facilities of approximately RMB15.9 billion from reputable commercial banks in China and Indonesia.

Lease Liabilities

Our lease liabilities primarily consist of operating lease arrangements that we entered into for certain of our offices and warehouses. As of March 31, 2021, 2022 and 2023, June 30, 2023 and July 31, 2023, our total lease liabilities amounted to RMB909 million, RMB1,020 million, RMB1,246 million, RMB1,345 million and RMB1,304 million, respectively. The overall increase in lease liabilities was primarily driven by new lease agreements that we entered into to support our business growth.

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Financial Liabilities Designated at Fair Value Through Profit or Loss

Our financial liabilities designated at fair value through profit or loss primarily consist of preferred shares of an investee company that mainly provides crowd-sourced delivery services. As of March 31, 2021, 2022 and 2023, June 30, 2023 and July 31, 2023, our financial liabilities designated at fair value through profit or loss amounted to RMB2 million, RMB2 million, RMB3 million, RMB3 million and RMB3 million, respectively.

Other Financial Liabilities

Our other financial liabilities primarily consist of (i) investment in consolidated limited partnerships and (ii) ABS. The investment in consolidated limited partnerships relates to certain limited partnership funds, which were formed by us and an insurance company and hold certain warehouse assets. Subject to certain conditions, the limited partnership funds are obliged to distribute returns from underlying investments to the insurance company within a specific period of time. Accordingly, the investments from the insurance company were accounted for as our financial liabilities. The ABS represents asset-backed securities that we issued to securitize certain warehouse assets. As of March 31, 2021, 2022 and 2023, June 30, 2023 and July 31, 2023 our other financial liabilities amounted to RMB8,083 million, RMB7,380 million, RMB7,575 million, RMB7,953 million and RMB8,022 million, respectively.

Loans from Related Parties

Our loans from related parties primarily consist of loans from Alibaba Group to support our operations. As of March 31, 2021, 2022 and 2023, June 30, 2023 and July 31, 2023, our loans from related parties (including principal amounts and interest payables) amounted to nil, RMB100 million, RMB830 million, RMB2,941 million and RMB2,949 million, respectively. The overall increase in our loans from related parties was primarily used for the expansion of our logistics infrastructure. Upon [REDACTED], we will fully repay or settle all outstanding loans, advances and balances due to or from our Controlling Shareholders or their close associates which are non-trade in nature.

Except for our indebtedness as disclosed above, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities or any covenant in connection therewith as of July 31, 2023, being the latest practicable date for our indebtedness statement.

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Working Capital Sufficiency

Taking into account cash and cash equivalents on hand, our operating cash flows, the existing bank facilities and the estimated net [REDACTED] available to us from the [REDACTED], our Directors believe that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this document.

Our Directors confirm that we had no material defaults in payment of trade and non-trade payables and borrowings, or breaches of covenants during the Track Record Period and up to the Latest Practicable Date.

CONTRACTUAL OBLIGATIONS

Capital Commitments

The table below sets forth our significant capital expenditures contracted for but not recognized as liabilities as of the dates indicated:

	As of March 31,			As of
	2021	2022	2023	June 30, 2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in millions)</i>			
Property, plant and equipment	7,237	7,206	4,713	4,325
Equity investment	2,283	–	2	3,878
Total	9,520	7,206	4,715	8,203

Operating Commitments

During the Track Record Period, we incurred operating commitments for short-term operating leases and other purposes, such as expenses for chartered flights. The table below sets forth our operating commitments contracted for but not recognized as liabilities as of the dates indicated:

	As of March 31,			As of
	2021	2022	2023	June 30, 2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in millions)</i>			
Within 1 year	2,475	3,286	3,949	4,574
1 to 2 years	1,285	1,567	2,278	2,689
2 to 3 years	554	596	727	449
3 to 4 years	–	79	41	43
Over 4 years	–	62	34	30
Total	4,314	5,590	7,029	7,785

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KEY FINANCIAL RATIOS

The table below sets forth our key financial ratios for the periods indicated:

	Year Ended March 31,			Three Months Ended June 30,	
	2021	2022	2023	2022	2023
				<i>(Unaudited)</i>	
Revenue growth	47%	27%	16%	7%	34%
Gross profit margin ⁽¹⁾	10.5%	10.7%	10.5%	10.6%	13.7%
Net (loss)/profit margin ⁽²⁾	(3.9%)	(3.4%)	(3.6%)	(2.1%)	1.2%
Adjusted EBITDA margin ⁽³⁾	2.0%	1.7%	3.7%	3.7%	7.8%
Adjusted net (loss)/profit margin ⁽⁴⁾	(1.6%)	(1.5%)	0.4%	0.2%	4.7%

Notes:

- (1) Gross profit margin represents gross profit for the period divided by revenue for the period and multiplied by 100%.
- (2) Net (loss)/profit margin represents net (loss)/profit for the period divided by revenue for the period and multiplied by 100%.
- (3) Adjusted EBITDA margin represents adjusted EBITDA for the period divided by revenue for the period and multiplied by 100%. See “— Non-IFRS Measures.”
- (4) Adjusted net (loss)/profit margin represents adjusted net (loss)/profit for the period divided by revenue for the period and multiplied by 100%. See “— Non-IFRS Measures.”

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements.

MATERIAL RELATED PARTY TRANSACTIONS

Alibaba Group is a related party of ours. We have maintained a strategic and mutually beneficial relationship with Alibaba Group. We cooperate with Alibaba Group in various areas, including primarily our provision of services to Alibaba Group, including supply chain solution services and logistics services and advertisement and promotional services, and receiving cloud services and shared services from Alibaba Group. See “Connected Transactions” for further details.

In fiscal years 2021, 2022 and 2023 and the three months ended June 30, 2022 and 2023, we generated revenue of RMB15,423 million, RMB20,614 million, RMB21,901 million, RMB5,208 million and RMB6,880 million from Alibaba Group, representing approximately 29.2%, 30.8%, 28.2%, 30.0% and 29.7% of our revenue for the respective periods.

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In fiscal years 2021, 2022 and 2023 and the three months ended June 30, 2022 and 2023, we incurred cost of revenue and operating expenses of RMB1,466 million, RMB1,922 million, RMB1,803 million, RMB415 million and RMB463 million, respectively, from Alibaba Group, representing approximately 2.7%, 2.8%, 2.3%, 2.4% and 2.1% of our cost of revenue and operating expenses for the respective periods.

Going forward, we will continue to engage in various types of transactions with Alibaba Group, a related party and also a connected person. See “Connected Transactions” for further details about the arrangements with Alibaba Group. For details of other related party transactions, see Note 40 to the Accountant’s Report set forth in Appendix I to this document.

Our Directors are of the view that our transactions with the related parties during the Track Record were conducted in the normal course of business and on an arm’s length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

Market Risks

Foreign Exchange Risk

We conduct our businesses mainly in RMB, with certain transactions denominated in U.S. dollars and other currencies. Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective functional currency of our subsidiaries. The functional currency of us and majority of our overseas subsidiaries is U.S. dollars whereas the functional currency of our PRC subsidiaries is RMB. During the Track Record Period, we did not engage in hedging activities with respect to our foreign currency risks. The conversion of Renminbi into foreign currencies, including U.S. dollars and Hong Kong dollars, is based on rates set by the People’s Bank of China. The Renminbi has fluctuated against the U.S. dollars, at times significantly and unpredictably. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between Renminbi and U.S. dollars in the future. See “Risk Factors — Risks Related to Our Industry and Business — Fluctuations in exchange rates could result in foreign currency exchange losses to us” for further details regarding our exposure to foreign exchange risk.

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Interest Rate Risk

Interest rate risk refers to the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our exposure to interest risk primarily arises from our interest-bearing assets, including cash and cash equivalents, restricted cash, term deposits and loan receivables. Our borrowings carried at floating rates expose us to cash flow interest-rate risk, whereas those carried at fixed rates expose us to fair value interest-rate risk.

We regularly monitor our interest rate risk to identify if there are any undue exposures to significant interest rate movements and manage our cash flow interest rate risk by using interest rate swaps, whenever considered necessary.

Price Risk

We are exposed to equity price risk mainly arising from investments held by us that are classified as FVPL. The investments are made either for strategic purposes, or for the purpose of achieving investment yield and balancing our liquidity level simultaneously. Each investment is managed by senior management of us on a case-by-case basis.

Credit Risk

Credit risk refers to the risk that our counterparties default on their contractual obligations resulting in financial losses to our Company. We are exposed to credit risk in relation to our cash and cash equivalents, restricted cash, term deposits as well as trade and other receivables. The carrying amount of each class of these financial assets represents our maximum exposure to credit risk in relation to the corresponding class of financial assets.

To manage risk arising from cash and cash equivalents, restricted cash and term deposits, we only transact with state-owned or reputable financial institutions which are all high-credit-quality financial institutions around the world. There has been no recent history of default in relation to these financial institutions.

To manage risk arising from trade receivables, we have policies in place to ensure that sales with credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit period granted to the customers is usually no more than 180 days and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors.

For other receivables, our management makes periodic collective assessments as well as individual assessments on the recoverability of other receivables based on historical settlement records and past experiences.

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Liquidity Risk

We aim to maintain sufficient cash and cash equivalents. Due to the dynamic nature of our underlying businesses, our policy is to regularly monitor our liquidity risk and to maintain adequate cash and cash equivalents to meet our liquidity requirements.

Please see Note 3 to the Accountant’s Report in Appendix I to this document for details regarding our financial risk management.

DIVIDEND POLICY

Since our inception, we have not declared or paid any dividends on our Shares. We have no present plan to pay any dividends on our Shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

Any future determination to pay dividends will be made at the discretion of our Board of Directors and may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the Board of Directors may deem relevant.

We are a holding company incorporated in the Cayman Islands. In order for us to distribute any dividends to our Shareholders, we rely on dividends, loans, and other distributions on equity paid by our operating subsidiaries and on remittances, including loans, from our variable interest entities in China. Dividend distributions from our PRC subsidiaries to us are subject to PRC taxes, such as withholding tax. In addition, regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits as determined in accordance with its articles of association and the accounting standards and regulations in China. See “Risk Factors — Risks Related to Doing Business in the People’s Republic of China — We rely to a significant extent on dividends, loans and other distributions on equity paid by our principal operating subsidiaries in China.”

DISTRIBUTABLE RESERVES

As of June 30, 2023, we did not set aside any reserve available for distribution to our Shareholders in accordance with the laws of the Cayman Islands or under IFRS. Our Company had RMB39,397 million in its share premium account as of June 30, 2023. The Companies Act of the Cayman Islands provides that the share premium account of a company incorporated in the Cayman Islands, such as our Company, may be applied in such manner as it may from time to time determine, subject to the provisions, if any, of its memorandum and articles of

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association, provided that no distribution or dividend may be paid to its shareholders out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, such company shall be able to pay its debts as they fall due in the ordinary course of business.

[REDACTED] EXPENSES

We expect to incur [REDACTED] expenses of approximately RMB[REDACTED], representing approximately [REDACTED]% of the gross [REDACTED], assuming that the [REDACTED] is conducted at the indicative [REDACTED] per [REDACTED] of HK\$[REDACTED] for both [REDACTED] and [REDACTED] and the [REDACTED] is not exercised, of which, approximately RMB[REDACTED] is expected to be recognized as general and administrative expenses and approximately RMB[REDACTED] is expected to be capitalized and deducted from equity upon completion of the [REDACTED]. In respect of the total amount charged or to be charged to our profit or loss, approximately RMB[REDACTED] has been charged to our profit or loss during the Track Record Period and the remaining RMB[REDACTED] is expected to be charged to our profit or loss after the Track Record Period.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the [REDACTED] on the net tangible assets of our Group attributable to the owners of the Company as of June 30, 2023 as if the [REDACTED] had taken place on that date.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group attributable to the owners of our Company as of June 30, 2023 or at any future dates following the [REDACTED].

	Audited consolidated net tangible assets of our Group attributable to owners of our Company as of June 30, 2023	Estimated [REDACTED] from the [REDACTED]	Unaudited pro forma adjusted net tangible assets of our Group attributable to owners of our Company as of June 30, 2023	Unaudited pro forma adjusted net tangible assets per Share	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB</i>	<i>HK\$</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3 and 4)</i>	
Based on an [REDACTED] of HK\$[REDACTED] per Share.	22,249,601	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK\$[REDACTED] per Share.	22,249,601	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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Notes:

(1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as of June 30, 2023 is extracted from the Accountant’s Report set out in Appendix I to this document, which is based on the audited consolidated net assets of our Group attributable to the owners of our Company as of June 30, 2023 of approximately RMB26,647,811,000 with adjustments for intangible assets and goodwill attributable to the owners of our Company as of June 30, 2023 of approximately RMB45,496,000 and RMB4,352,714,000 respectively.

(2)

[REDACTED]

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [REDACTED] Shares were in issue assuming that the [REDACTED] have been completed on June 30, 2023 but takes no account of any Shares which may be allotted and issued upon the exercise of the [REDACTED] and any options that may be granted under the Pre-[REDACTED] Equity Incentive Plans and the Post-[REDACTED] Equity Incentive Plan or which may be allotted and issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares as described in the section headed “Share Capital” in the document.

(4) For the purpose of this unaudited pro forma adjusted net tangible assets per Share, the amounts stated in Renminbi are converted into Hong Kong dollars at the rate of HK\$1.00 to RMB0.9172. No representation is made that Renminbi has been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(5) Except as disclosed above, no adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to June 30, 2023.

NO MATERIAL ADVERSE CHANGE

After due and careful consideration, our Directors confirm that, up to the date of this document, there has not been any material adverse change in our financial or trading position or prospects since June 30, 2023, and there has been no event since June 30, 2023 which would materially affect the information shown in the Accountant’s Report in Appendix I to this document.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

As of the Latest Practicable Date, our Directors confirmed that there are no circumstances that will give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our material accounting policies are set forth in Note 2.1 to the Accountant's Report in Appendix I to this document. The preparation of our consolidated financial statements requires our management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Our management periodically re-evaluates these estimates and assumptions based on historical experience and other factors, including expectations of future events that they believe to be reasonable under the circumstances. Actual results may differ significantly from those estimates and assumptions. We have identified the following accounting policies as the most critical to an understanding of our financial position and results of operations, because the application of these policies requires significant and complex management estimates, assumptions and judgment, and the reporting of materially different amounts could result if different estimates or assumptions were used or different judgments were made.

Basis of Preparation

Our historical financial information has been prepared in accordance with IFRS issued by the International Accounting Standards Board. The historical financial information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

The preparation of the historical financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future. Please see Note 4 to the Accountant's Report in Appendix I to this document for details about the critical accounting estimates and judgements of us.

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning April 1, 2023, are consistently applied to us throughout the Track Record Period.

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New Standards and Amendments Not Yet Adopted

Standards, amendments and interpretations that have been issued but not yet effective and not been early adopted by us during the Track Record Period are as follows:

	Effective for annual periods beginning on or after
Amendments to IAS 1 Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IAS 1 Non-current liabilities with covenants	January 1, 2024
Amendments to IAS 7 and IFRS 7 Supplier finance arrangements	January 1, 2024
Amendments to IFRS 16 Lease liability in a sale and leaseback	January 1, 2024
Amendments to IAS 21 Lack of exchangeability	January 1, 2025
Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associates or joint venture	To be determined

We have already commenced an assessment of the impact of these new or revised standards and interpretations, and amendments, certain of which are relevant to our operations. According to the preliminary assessment made by the Directors, no significant impact on our financial performance and financial position is expected when they become effective.

Principles of Consolidation and Equity Accounting

Subsidiaries are all entities (including structured entities) over which we have control. We control an entity when we are exposed to, or have rights to, variable returns from our involvement with the entity and have the ability to affect those returns through our power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to us. They are deconsolidated from the date that our control ceases.

Revenue Recognition

Income is classified by us as revenue when it arises from the sale of goods, the provision of services or the use by others of our assets under leases in the ordinary course of our business.

Revenue is recognized when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if our performance:

- provides all of the benefits received and consumed simultaneously by the customer;

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- creates and enhances an asset that the customer controls as we perform; or
- does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

Contracts with customers may include multiple performance obligations. For such arrangements, we allocate revenue to each performance obligation based on its relative standalone selling price. We generally determine standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgements on these assumptions and estimates may impact the revenue recognition.

If a customer pays consideration or we have a right to an amount of consideration that is unconditional, before we transfer a good or service to the customer, we present the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is our obligation to transfer goods or services to a customer for which we have received consideration (or an amount of consideration is due) from the customer.

Share-Based Payments

We operate share incentive plans including share option schemes, RSUs schemes and restricted shares schemes, under which we receive services from employees as consideration for equity instruments (including share options, RSUs and restricted shares) of us. The fair value of the employee services received in exchange for the grant of equity instruments of us is recognized as an expense over the vesting period, i.e. the period over which all of the specified vesting conditions are to be satisfied and credited to equity.

For the grant of share options, the total amount to be expensed is determined by reference to the fair value of the options granted by using Black-Scholes models:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions, and
- including the impact of any non-vesting conditions.

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The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, we revise our estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. We recognize the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

For the grant of RSUs and restricted shares, the total amount to be expensed is determined by reference to the fair value of our Shares at the grant date.

Share-Based Compensation of Alibaba Group

Alibaba Group operates a number of share incentive plans, under which Alibaba Group (including us) receives services from employees as consideration for equity instruments (including share options and RSUs) of Alibaba Group. The fair value of the employee services received in exchange for the grant of equity instruments of Alibaba Group is recognized as an expense over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied, and credited to contribution from shareholder under equity.

Impairment of Non-Financial Assets

Assets that have an indefinite useful life or are not yet available for use are not subject to depreciation or amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units, "CGU"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Goodwill

The excess of the consideration transferred, amount of any non-controlling interest in our acquired entity, and acquisition-date fair value of any previous equity interest in our acquired entity over the fair value of the net identifiable assets acquired, is recorded as goodwill. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

Investments and Other Financial Assets

Classification

We classify our financial assets in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortized cost.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether we have made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

We reclassify debt investments when and only when our business model for managing those assets changes.

Measurement

At initial recognition, we measure a financial asset at its fair value plus, in the case of a financial asset not at financial assets at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Debt Instruments

Subsequent measurement of debt instruments depends on our business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which we classify our debt instruments:

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Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "Other gains/(losses) – net". Foreign exchange gains and losses are presented in "Other gains/(losses) – net" and impairment expenses are presented as separate line item in the consolidated statements of profit or loss.

FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the consolidated statement of comprehensive income within "Other gains/(losses) – net" in the period in which it arises.

Equity Instruments

We subsequently measure all equity investments at fair value. Where our management has elected to present fair value gains and losses on equity investments in profit or loss, there is no subsequent reclassification of fair value gains and losses to other comprehensive income following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when our right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in "Other gains/(losses) – net" in the consolidated statements of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

We assess on a forward-looking basis for the expected credit losses associated with financial assets carried at amortized cost (including trade and other receivables, restricted cash, cash and cash equivalents and term deposits). The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, we apply the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

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For others, it is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Current and Deferred Income Tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where we and our subsidiaries operate and generate taxable income. Our management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. We measure our tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred Income Tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. For details about recognition of deferred income tax liabilities and deferred income tax assets, please see Note 2 to the Accountant's Report in Appendix I to this document.

Fair value measurement of level 3 financial instruments

Specific valuation techniques used by us to value financial instruments including:

- The use of quoted market prices or dealer quotes for similar instruments;
- The discounted cash flow model and unobservable inputs mainly include assumptions of expected future cash flows and discount rate;

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- The latest round financing, i.e. the prior transaction price or the third-party pricing information; and
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

We have a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case-by-case basis. At least once every year, the team would use valuation techniques to determine the fair value of our level 3 instruments. External valuation experts will be involved when necessary. We engaged an independent valuer to assist us on valuation of non-current unlisted debt investments and derivatives. For details on fair value measurement of our financial instruments, please see Note 3 to the Accountant's Report in Appendix I to this document.

FUTURE PLANS AND [REDACTED]

FUTURE PLANS

For further details of our future plans, please see “Our Business — Our Strategies.”

[REDACTED]

We estimate that we will receive [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED] after deducting the estimated [REDACTED] and commissions and estimated [REDACTED] payable by us, based upon an [REDACTED] of HK\$[REDACTED] per [REDACTED] for both [REDACTED] and [REDACTED], being the mid-point of the [REDACTED] of HK\$[REDACTED] to HK\$[REDACTED] per Share, and assuming the [REDACTED] is not exercised.

We intend to use the net [REDACTED] we will receive from the [REDACTED] for the following purposes:

- Approximately [REDACTED]%, or HK\$[REDACTED], is expected to be used to further develop our international logistics service capabilities and network. Specifically, we intend to: (i) continue to invest in e-Hubs and warehouses in key international markets, and upgrade our existing warehouses for cross-border e-commerce through automation and digitalization; (ii) continue to invest in sorting centers in key international markets and upgrade our existing ones through automation and digitalization, as well as invest in parcel consolidation facilities to strengthen our China-to-global capabilities; (iii) further expand and strengthen our overseas local delivery capabilities in select international markets; (iv) further optimize other important components of our international operations, such as increasing the density and frequency of our cross-border line-haul routes, and strengthening our customs clearance capabilities; and (v) continue to enhance our international logistics solutions, such as further upgrading our premium and standard cross-border delivery services to offer enhanced delivery speed, cost-effectiveness and service quality, and expand such services to more international destinations.
- Approximately [REDACTED]%, or HK\$[REDACTED], is expected to be used for further developing our China domestic logistics service capabilities and network. Specifically, we intend to: (i) continue to invest in China warehouses, including through further automation and digitalization to enhance operating efficiency; (ii) further enhance our distribution capabilities by investing in sorting centers and last-mile delivery operations; and (iii) enhance and expand our China logistics service offerings to meet the evolving needs of our existing customers and attract new customers, and further develop vertical supply chain solutions.

FUTURE PLANS AND [REDACTED]

- Approximately [REDACTED]%, or HK\$[REDACTED], is expected to be used for research and development and technology innovations. Specifically, we intend to: (i) upgrade our software applications to enable innovative capabilities in our network in order to meet evolving business needs and improve customer experience, including applications used in our international logistics business; (ii) enhance AI capabilities to create smarter logistics solutions, enabling more rapid decision-making capabilities and enhanced cost control measures; (iii) develop smart hardware technologies, encompassing automation, RFID and IoT devices; and (iv) continue to invest in green technology solutions such as carbon footprint management system to help reduce our and our customers' carbon footprint.
- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for working capital and other general corporate purposes.

If the [REDACTED] is set at HK\$[REDACTED] per [REDACTED], being the high end of the indicative [REDACTED] and assuming the [REDACTED] is not exercised, the [REDACTED] we receive will be approximately HK\$[REDACTED], after deduction of [REDACTED] and commissions and estimated expenses payable by us in connection with the [REDACTED].

If the [REDACTED] is set at HK\$[REDACTED] per [REDACTED], being the low end of the indicative [REDACTED] and assuming the [REDACTED] is not exercised, the [REDACTED] we receive will be approximately HK\$[REDACTED], after deduction of [REDACTED] and commissions and estimated expenses payable by us in connection with the [REDACTED].

If the [REDACTED] is exercised in full, we will receive additional net [REDACTED] ranging from approximately HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the low end of the proposed [REDACTED]) to HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the high end of the proposed [REDACTED]), after deduction of the [REDACTED] and commissions and estimated expenses payable by us in connection with the [REDACTED].

To the extent that the [REDACTED] of the [REDACTED] are not immediately required for the above purposes or if we are unable to put into effect any part of our plan as intended, we may hold such funds in short-term deposits with authorized financial institutions or licensed commercial banks so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

We will issue announcements, where required, if there is any material change in the [REDACTED] mentioned above.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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STRUCTURE OF THE [REDACTED]

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HOW TO APPLY FOR [REDACTED]

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HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

APPENDIX I

ACCOUNTANT’S REPORT

The following is the text of a report set out on pages I-[1] to I-[3], received from the Company’s reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Joint Sponsor pursuant to the requirements of HKSIR 200, Accountants’ Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[Letterhead of PricewaterhouseCoopers]

[DRAFT]

ACCOUNTANT’S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CAINIAO SMART LOGISTICS NETWORK LIMITED AND CITIGROUP GLOBAL MARKETS ASIA LIMITED, CITIC SECURITIES (HONG KONG) LIMITED AND J.P. MORGAN SECURITIES (FAR EAST) LIMITED

Introduction

We report on the historical financial information of Cainiao Smart Logistics Network Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-[4] to I-[116], which comprises the consolidated balance sheets as at March 31, 2021, 2022 and 2023 and June 30, 2023, the company balance sheets as at March 31, 2021, 2022 and 2023 and June 30, 2023 and the consolidated statements of profit or loss, the consolidated statements of other comprehensive (loss)/income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended March 31, 2021, 2022 and 2023 and the three months ended June 30, 2023 (the “Track Record Period”) and a summary of material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-[4] to I-[116] forms an integral part of this report, which has been prepared for inclusion in the [REDACTED] of the Company dated [Date] (the “[REDACTED]”) in connection with the [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1(a) to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant’s responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified

APPENDIX I**ACCOUNTANT'S REPORT**

Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1(a) to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at March 31, 2021, 2022 and 2023 and June 30, 2023, and the consolidated financial position of the Group as at March 31, 2021, 2022 and 2023 and June 30, 2023, and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1(a) to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of comprehensive (loss)/income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended June 30, 2022 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2.1(a) to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board ("IAASB"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than

APPENDIX I**ACCOUNTANT'S REPORT**

an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1(a) to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[4] have been made.

Dividends

We refer to Note 39 to the Historical Financial Information which states that no dividends have been paid by Cainiao Smart Logistics Network Limited in respect of the Track Record Period.

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong
[Date]

APPENDIX I**ACCOUNTANT'S REPORT**

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

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ACCOUNTANT'S REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	Year ended March 31,			Three months ended June 30,	
		2021	2022	2023	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Unaudited)
Revenue	6	52,732,812	66,866,916	77,799,675	17,335,886	23,164,037
Cost of revenue	9	(47,189,074)	(59,686,287)	(69,653,019)	(15,495,519)	(19,979,471)
Gross profit		<u>5,543,738</u>	<u>7,180,629</u>	<u>8,146,656</u>	<u>1,840,367</u>	<u>3,184,566</u>
Sales and marketing expenses	9	(1,533,585)	(1,758,976)	(1,215,807)	(241,699)	(283,699)
General and administrative expenses	9	(3,941,437)	(6,094,241)	(6,153,513)	(1,313,773)	(1,434,085)
Product development expenses	9	(1,529,058)	(2,281,962)	(2,511,809)	(559,708)	(605,372)
Reversal of/(provision for) impairment losses on financial assets	25	1,072	(181,923)	(282,599)	(113,713)	(233,819)
Other income	7	168,759	528,791	490,410	58,026	179,700
Other gains/(losses) – net	8	37,660	1,303,703	(174,782)	45,927	(310,132)
Operating (loss)/profit		<u>(1,252,851)</u>	<u>(1,303,979)</u>	<u>(1,701,444)</u>	<u>(284,573)</u>	<u>497,159</u>
Finance income	11	508,715	309,854	436,948	71,109	171,929
Finance costs	11	(1,140,123)	(1,213,487)	(1,257,716)	(269,954)	(322,875)
Finance costs – net		<u>(631,408)</u>	<u>(903,633)</u>	<u>(820,768)</u>	<u>(198,845)</u>	<u>(150,946)</u>
Share of (loss)/profit of associates and joint ventures accounted for using the equity method	21	(33,007)	140,701	229,236	177,056	(8,418)
Impairment losses on associates and joint ventures accounted for using the equity method	21	–	–	(229,091)	–	–
(Loss)/profit before income tax		<u>(1,917,266)</u>	<u>(2,066,911)</u>	<u>(2,522,067)</u>	<u>(306,362)</u>	<u>337,795</u>
Income tax expenses	12	(97,921)	(218,754)	(279,324)	(63,456)	(50,118)
(Loss)/profit for the year/period		<u><u>(2,015,187)</u></u>	<u><u>(2,285,665)</u></u>	<u><u>(2,801,391)</u></u>	<u><u>(369,818)</u></u>	<u><u>287,677</u></u>
(Loss)/profit attributable to:						
Owners of the Company		(1,688,338)	(2,004,307)	(2,324,678)	(338,024)	391,297
Non-controlling interests		(326,849)	(281,358)	(476,713)	(31,794)	(103,620)
		<u><u>(2,015,187)</u></u>	<u><u>(2,285,665)</u></u>	<u><u>(2,801,391)</u></u>	<u><u>(369,818)</u></u>	<u><u>287,677</u></u>
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company						
Basic (loss)/earnings per share (RMB)	13	<u>(0.11)</u>	<u>(0.13)</u>	<u>(0.15)</u>	<u>(0.02)</u>	<u>0.02</u>
Diluted (loss)/earnings per share (RMB)	13	<u>(0.11)</u>	<u>(0.13)</u>	<u>(0.15)</u>	<u>(0.02)</u>	<u>0.02</u>

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ACCOUNTANT'S REPORT

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE (LOSS)/INCOME

Notes	Year ended March 31,			Three months ended June 30,	
	2021	2022	2023	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Other comprehensive (loss)/income					
<i>Items that may be reclassified to profit or loss</i>					
	Share of other comprehensive				
	(loss)/income of associates				
21	–	–	(5,986)	(1,066)	250
	(1,613,056)	(537,943)	1,207,587	725,882	821,977
<i>Items that will not be reclassified to profit or loss</i>					
	Currency translation differences				
	(38,525)	(40,826)	110,706	40,442	49,142
	(1,651,581)	(578,769)	1,312,307	765,258	871,369
Total comprehensive (loss)/income for the year/period					
	<u>(3,666,768)</u>	<u>(2,864,434)</u>	<u>(1,489,084)</u>	<u>395,440</u>	<u>1,159,046</u>
Total comprehensive (loss)/income for the year/period is attributable to:					
	Owners of the Company				
	(3,339,919)	(2,587,171)	(1,013,019)	424,951	1,266,448
	(326,849)	(277,263)	(476,065)	(29,511)	(107,402)
	<u>(3,666,768)</u>	<u>(2,864,434)</u>	<u>(1,489,084)</u>	<u>395,440</u>	<u>1,159,046</u>

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ACCOUNTANT'S REPORT

CONSOLIDATED BALANCE SHEETS

	Notes	As at March 31,			As at
		2021	2022	2023	June 30,
		RMB'000	RMB'000	RMB'000	2023
				RMB'000	
ASSETS					
Non-current assets					
Property, plant and equipment	15	11,795,256	13,308,855	17,459,065	18,314,417
Investment properties	16	4,123,956	6,537,263	6,926,514	7,141,977
Right-of-use assets (land use rights)	17	3,611,695	4,222,306	4,237,957	4,172,066
Other right-of-use assets	18	883,494	975,663	1,168,936	1,262,244
Intangible assets	19	218,490	137,341	68,484	49,571
Goodwill	20	4,255,907	4,255,907	4,347,770	4,352,714
Investments accounted for using the equity method	21	1,040,866	4,479,595	4,287,491	4,426,615
Deferred tax assets	22	150,357	171,473	321,156	337,877
Financial assets at fair value through profit or loss	24	3,147,743	6,752,237	6,664,070	7,087,956
Other receivables and prepayments	25	270,140	537,643	360,460	476,080
		<u>29,497,904</u>	<u>41,378,283</u>	<u>45,841,903</u>	<u>47,621,517</u>
Current assets					
Inventories		93,444	146,260	153,241	204,654
Financial assets at fair value through profit or loss	24	65,217	–	994,981	781,526
Trade, other receivables and prepayments	25	5,579,812	7,042,275	9,930,430	10,340,042
Restricted cash	26	206,335	116,527	42,174	45,100
Cash and cash equivalents	26	11,818,639	10,197,742	8,784,404	15,507,967
Term deposits	27	8,491,570	–	6,103,798	3,334,540
		<u>26,255,017</u>	<u>17,502,804</u>	<u>26,009,028</u>	<u>30,213,829</u>
Total assets		<u><u>55,752,921</u></u>	<u><u>58,881,087</u></u>	<u><u>71,850,931</u></u>	<u><u>77,835,346</u></u>
EQUITY					
Equity attributable to owners of the Company					
Share capital	28	100	101	102	102
Share premium	28	37,641,848	38,320,106	39,373,456	39,396,520
Other reserves	29	1,407,996	1,620,988	6,904,143	8,057,889
Accumulated losses		(16,463,646)	(18,587,795)	(21,197,997)	(20,806,700)
		<u>22,586,298</u>	<u>21,353,400</u>	<u>25,079,704</u>	<u>26,647,811</u>
Non-controlling interests		839,131	516,680	1,369,791	1,283,815
Total equity		<u><u>23,425,429</u></u>	<u><u>21,870,080</u></u>	<u><u>26,449,495</u></u>	<u><u>27,931,626</u></u>

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ACCOUNTANT'S REPORT

	Notes	As at March 31,			As at
		2021	2022	2023	June 30,
		RMB'000	RMB'000	RMB'000	2023
				RMB'000	
LIABILITIES					
Non-current liabilities					
Borrowings	31	5,890,411	6,862,274	14,041,816	15,365,764
Lease liabilities	18	520,586	593,444	664,251	695,693
Financial liabilities designated at fair value					
through profit or loss	32	2,478	22,986	2,589	2,737
Long-term payables		–	14,180	19,470	11,515
Other financial liabilities	33	6,570,331	7,026,390	7,255,457	7,594,832
Deferred revenue	34	896,919	884,791	882,602	878,388
Deferred tax liabilities	22	49,092	120,856	135,691	122,941
		<u>13,929,817</u>	<u>15,524,921</u>	<u>23,001,876</u>	<u>24,671,870</u>
Current liabilities					
Borrowings	31	3,023,902	4,439,070	1,960,837	2,014,874
Financial liabilities designated at fair value					
through profit or loss	32	–	20,589	20,589	20,589
Other financial liabilities	33	1,512,985	354,112	319,520	358,178
Current tax liabilities		135,413	152,859	283,466	182,922
Trade and other payables	35	11,698,290	14,734,772	16,973,201	20,158,517
Contract liabilities	6	1,638,992	1,358,183	2,259,810	1,847,710
Lease liabilities	18	388,093	426,501	582,137	649,060
		<u>18,397,675</u>	<u>21,486,086</u>	<u>22,399,560</u>	<u>25,231,850</u>
Total liabilities		<u>32,327,492</u>	<u>37,011,007</u>	<u>45,401,436</u>	<u>49,903,720</u>
Total equity and liabilities		<u>55,752,921</u>	<u>58,881,087</u>	<u>71,850,931</u>	<u>77,835,346</u>

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ACCOUNTANT'S REPORT

COMPANY BALANCE SHEETS

	Notes	As at March 31,			As at
		2021	2022	2023	June 30,
		RMB'000	RMB'000	RMB'000	2023
				RMB'000	
ASSETS					
Non-current assets					
Investment in subsidiaries	14	37,522,774	37,826,344	42,746,663	45,476,546
		<u>37,522,774</u>	<u>37,826,344</u>	<u>42,746,663</u>	<u>45,476,546</u>
Current assets					
Other receivables	25	6,978	686,232	894,570	945,625
Cash and cash equivalents		416,349	1,278	1,321	603
		<u>423,327</u>	<u>687,510</u>	<u>895,891</u>	<u>946,228</u>
Total assets		<u><u>37,946,101</u></u>	<u><u>38,513,854</u></u>	<u><u>43,642,554</u></u>	<u><u>46,422,774</u></u>
EQUITY					
Equity attributable to owners of the Company					
Share capital	28	100	101	102	102
Share premium	28	37,641,848	38,320,106	39,373,456	39,396,520
Other reserves	29	735,197	922,823	5,122,435	7,897,896
Accumulated losses		(432,919)	(729,754)	(856,025)	(873,911)
Total equity		<u><u>37,944,226</u></u>	<u><u>38,513,276</u></u>	<u><u>43,639,968</u></u>	<u><u>46,420,607</u></u>
LIABILITIES					
Current liabilities					
Other payables		1,875	578	2,586	2,167
		<u>1,875</u>	<u>578</u>	<u>2,586</u>	<u>2,167</u>
Total liabilities		<u><u>1,875</u></u>	<u><u>578</u></u>	<u><u>2,586</u></u>	<u><u>2,167</u></u>
Total equity and liabilities		<u><u>37,946,101</u></u>	<u><u>38,513,854</u></u>	<u><u>43,642,554</u></u>	<u><u>46,422,774</u></u>

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Notes	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Accumulated losses	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
	99	36,774,061	3,512,134	(14,643,554)	25,642,740	1,123,563	26,766,303	
Balance at April 1, 2020								
Comprehensive loss								
Loss for the year	-	-	-	(1,688,338)	(1,688,338)	(326,849)	(2,015,187)	
Other comprehensive loss, net of tax:								
- Currency translation differences	-	-	(1,651,581)	-	(1,651,581)	-	(1,651,581)	
Total comprehensive loss	-	-	(1,651,581)	(1,688,338)	(3,339,919)	(326,849)	(3,666,768)	
Transactions with owners								
Capital injections from shareholders	28	275,000	-	-	275,000	-	275,000	
Profit appropriations to statutory reserve	-	-	131,754	(131,754)	-	-	-	
Acquisitions of additional equity interests in non wholly-owned subsidiaries	41(a)	-	(1,106,008)	-	(1,106,008)	(59,393)	(1,165,401)	
Dilution of interests in non wholly-owned subsidiaries	41(b)	-	25,828	-	25,828	156,322	182,150	
Transfer of equity interests of subsidiaries to non-controlling interests	41(c)	-	9,131	-	9,131	53,719	62,850	
Share of changes in net assets of associates	21	-	38,999	-	38,999	-	38,999	
Employee share incentive schemes:	30							
- Share-based payments related to the awards granted by the Group		-	691,516	-	691,516	-	691,516	
- Share-based payments related to the awards granted by Alibaba Group Holding Limited and its subsidiaries excluding the Group (together, “Alibaba Group”)		-	157,532	-	157,532	-	157,532	
- Issuance of shares, including vesting of restricted share units (“RSUs”) and exercise of share options and other share movements	14(b)	1	592,787	(412,289)	180,499	-	180,499	
Liquidation of a subsidiary	-	-	-	-	-	(11,909)	(11,909)	
Others	-	-	10,980	-	10,980	(96,322)	(85,342)	
Total transactions with equity holders for the year								
	1	867,787	(452,557)	(131,754)	283,477	42,417	325,894	
Balance at March 31, 2021	100	37,641,848	1,407,996	(16,463,646)	22,586,298	839,131	23,425,429	

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		Attributable to owners of the Company					
Notes	Share capital	Share premium	Other reserves	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	100	37,641,848	1,407,996	(16,463,646)	22,586,298	839,131	23,425,429
Balance at April 1, 2021							
Comprehensive loss							
Loss for the year	-	-	-	(2,004,307)	(2,004,307)	(281,358)	(2,285,665)
Other comprehensive loss, net of tax:							
- Currency translation differences	-	-	(582,864)	-	(582,864)	4,095	(578,769)
Total comprehensive loss	-	-	(582,864)	(2,004,307)	(2,587,171)	(277,263)	(2,864,434)
Transactions with owners							
Profit appropriations to statutory reserve	-	-	119,842	(119,842)	-	-	-
Acquisitions of additional equity interests in non wholly-owned subsidiaries	41(a)	-	(873,652)	-	(873,652)	(59,078)	(932,730)
Changes in interests in non wholly-owned subsidiaries	41(b)	-	65,837	-	65,837	(65,837)	-
Share of changes in net assets of associates	21	-	(4,598)	-	(4,598)	-	(4,598)
Employee share incentive schemes:	30						
- Share-based payments related to the awards granted by the Group	-	-	1,755,560	-	1,755,560	79,727	1,835,287
- Share-based payments related to the awards granted by Alibaba Group	-	-	166,773	-	166,773	-	166,773
- Issuance of shares, including vesting of RSUs and exercise of share options and other share movements	1	678,258	(394,757)	-	283,502	-	283,502
Others	-	-	(39,149)	-	(39,149)	-	(39,149)
Total transactions with equity holders for the year	1	678,258	795,856	(119,842)	1,354,273	(45,188)	1,309,085
Balance at March 31, 2022	101	38,320,106	1,620,988	(18,587,795)	21,353,400	516,680	21,870,080

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ACCOUNTANT’S REPORT

Attributable to owners of the Company							
Notes	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>	Non-controlling interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
Balance at April 1, 2023	102	39,373,456	6,904,143	(21,197,997)	25,079,704	1,369,791	26,449,495
Comprehensive income							
Profit/(loss) for the period				391,297	391,297	(103,620)	287,677
Other comprehensive income, net of tax:							
– Share of other comprehensive income of associates	21		250		250		250
– Currency translation differences			874,901		874,901	(3,782)	871,119
Total comprehensive income			875,151	391,297	1,266,448	(107,402)	1,159,046
Transactions with owners							
Share of other changes in net assets of associates	21		(18)		(18)		(18)
Employee share incentive schemes:	30						
– Share-based payments related to the awards granted by the Group			280,914		280,914	21,426	302,340
– Share-based payments related to the awards granted by Alibaba Group			20,763		20,763		20,763
– Issuance of shares, including vesting of RSUs and exercise of share options and other share movements		23,064	(23,064)				
Total transactions with equity holders for the period		23,064	278,595		301,659	21,426	323,085
Balance at June 30, 2023	102	39,396,520	8,057,889	(20,806,700)	26,647,811	1,283,815	27,931,626

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		Attributable to owners of the Company					
Notes	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>	Non-controlling interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
	101	38,320,106	1,620,988	(18,587,795)	21,353,400	516,680	21,870,080
<i>(Unaudited)</i>							
Balance at April 1, 2022							
Comprehensive income							
Loss for the period							
Other comprehensive income, net of tax:							
	21	-	(1,066)	-	(1,066)	-	(1,066)
	-	-	764,041	-	764,041	2,283	766,324
	-	-	762,975	(338,024)	424,951	(29,511)	395,440
Total comprehensive income							
Transactions with owners							
Employee share incentive schemes:							
	30	-	282,762	-	282,762	13,332	296,094
	-	-	26,187	-	26,187	-	26,187
	-	664,315	(664,315)	-	-	-	-
Total transactions with equity holders for the period							
	-	664,315	(355,366)	-	308,949	13,332	322,281
	101	38,984,421	2,028,597	(18,925,819)	22,087,300	500,501	22,587,801
Balance at June 30, 2022							

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ACCOUNTANT'S REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended March 31,			Three months ended June 30,	
		2021	2022	2023	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						<i>(Unaudited)</i>
Cash flows from operating activities						
Cash generated from/(used in) operations	37(a)	5,041,848	2,474,509	2,139,725	(588,945)	1,250,390
Income taxes paid		(108,803)	(144,331)	(280,376)	(70,820)	(180,132)
Net cash flows generated from/(used in) operating activities		<u>4,933,045</u>	<u>2,330,178</u>	<u>1,859,349</u>	<u>(659,765)</u>	<u>1,070,258</u>
Cash flows from investing activities						
Payments for business combination, net of cash acquired		–	–	(69,449)	(69,449)	(13,193)
Net cash inflow arising from disposals of investments in subsidiaries	14(b)	231,653	–	326,756	–	372,998
Purchase of property, plant and equipment, investment properties, land use rights and intangible assets		(4,457,600)	(5,516,703)	(5,592,680)	(1,333,911)	(1,142,254)
Government grants received relating to assets		78,235	14,997	39,837	33,810	2,790
Proceeds from disposals of property, plant and equipment and land use rights		71,619	26,852	19,762	7,966	12,508
Payments for acquisitions of financial assets at fair value through profit or loss		(699,868)	(2,284,928)	(438,674)	(2,792)	(300,000)
Proceeds from disposals of financial assets at fair value through profit or loss		500,000	–	125,347	–	99,720
Dividends and interest income from financial assets at fair value through profit or loss		15,075	12,768	102,847	12,635	117,763
Placement of term deposits with initial terms of over three months		(13,838,315)	–	(11,969,285)	–	(854,352)
Withdrawal of term deposits with initial terms of over three months		5,346,745	8,491,570	5,834,678	–	3,772,010
Interest received from term deposits with initial terms of over three months		26,241	127,301	81,813	–	98,510
Payments for acquisitions of investments in associates and joint ventures		(273,217)	(3,548,978)	–	–	(66,735)
Dividends received from investments in associates		–	–	67,500	67,500	–
Loans to related parties	40(c)	(165,000)	(226,800)	–	–	–
Repayment of loans to related parties	40(c)	65,000	120,648	100,000	–	–
Interest received from loans to related parties		1,868	6,486	5,000	–	7,680
Repayments of loans from a third party		–	–	70,700	–	–
Net cash flows (used in)/generated from investing activities		<u>(13,097,564)</u>	<u>(2,776,787)</u>	<u>(11,295,848)</u>	<u>(1,284,241)</u>	<u>2,107,445</u>

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	Notes	Year ended March 31,			Three months ended June 30,	
		2021	2022	2023	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>(Unaudited)</i>						
Cash flows from financing activities						
Capital injections from shareholders	28	275,000	–	–	–	–
Net proceeds from issuance of ordinary shares as a result of exercise of share options and other share movements		180,499	283,502	152,099	–	–
Payments for acquisitions of non-controlling interests	41(a)	(1,150,333)	(940,730)	(5,000)	(5,000)	–
Proceeds from issuance of additional equity of non wholly-owned subsidiaries	41(b)	182,150	–	1,945,959	–	–
Proceeds from partial disposals of equity interests in non wholly-owned subsidiaries	41(c)	62,850	–	1,821,887	–	–
Distribution of liquidated assets to non-controlling interests upon the liquidation of a subsidiary	14(b)	(11,909)	–	–	–	–
Proceeds from cash injections by the partner of consolidated limited partnerships	33, 37(b)	–	94,183	–	–	514,242
Cash redemption to the partner of consolidated limited partnerships	33, 37(b)	–	–	(217,022)	–	–
Dividends paid to the partner of consolidated limited partnerships	37(b)	(270,348)	(280,778)	(354,112)	(290,278)	(318,845)
Proceeds from borrowings	37(b)	4,067,074	8,649,242	9,853,896	4,107,525	1,831,597
Repayments of borrowings	37(b)	(2,610,682)	(6,249,677)	(5,168,710)	(1,295,147)	(454,010)
Interest of borrowings paid	37(b)	(384,673)	(413,330)	(415,842)	(83,639)	(113,171)
Loans from related parties	37(b), 40(c)	–	100,000	716,317	89,734	2,095,272
Payments of lease liabilities	37(b)	(637,835)	(637,489)	(696,718)	(152,745)	(204,788)
Payments of deposits to lessors at the beginning of lease contracts		(83,774)	(42,727)	(42,953)	(18,446)	(23,941)
Collection of deposits from lessors at the expiry of lease contracts		48,094	21,941	35,061	22,011	48,621
Release of restricted cash of asset-backed securities (“ABS”) issuance proceeds		249,310	–	–	–	–
Repayments of ABS	33, 37(b)	–	(1,220,000)	–	–	–
Interest of ABS paid	33, 37(b)	(45,490)	(60,355)	–	–	–
Payments for settlement of put liabilities	33, 37(b), 41(a)	(730,640)	–	–	–	–
Net cash flows (used in)/generated from financing activities		<u>(860,707)</u>	<u>(696,218)</u>	<u>7,624,862</u>	<u>2,374,015</u>	<u>3,374,977</u>
Net (decrease)/increase in cash and cash equivalents		<u>(9,025,226)</u>	<u>(1,142,827)</u>	<u>(1,811,637)</u>	<u>430,009</u>	<u>6,552,680</u>
Cash and cash equivalents at the beginning of the year/period		22,319,035	11,818,639	10,197,742	10,197,742	8,784,404
Effects of exchange rate changes on cash and cash equivalents		<u>(1,475,170)</u>	<u>(478,070)</u>	<u>398,299</u>	<u>386,227</u>	<u>170,883</u>
Cash and cash equivalents at the end of the year/period	26	<u>11,818,639</u>	<u>10,197,742</u>	<u>8,784,404</u>	<u>11,013,978</u>	<u>15,507,967</u>

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ACCOUNTANT’S REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information

Cainiao Smart Logistics Network Limited (the “Company”) was incorporated in the Cayman Islands on May 20, 2015 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively the “Group”) are principally engaged in the provision of e-commerce logistics.

The ultimate holding company and the controlling shareholder of the Company is Alibaba Group Holding Limited. The intermediate holding company of the Company is Ali CN Investment Holding Limited (“Ali CN”).

As at the date of this report, the Company’s major subsidiaries during the Track Record Period are set out in Note 14.

2 Summary of accounting policies

The accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied during the Track Record Period, unless otherwise stated.

2.1 Summary of material accounting policies

(a) Basis of preparation

The Historical Financial Information of the Group has been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by International Accounting Standards Board (“IASB”). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

The preparation of the Historical Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning April 1, 2023, are consistently applied to the Group throughout the Track Record Period.

New standards and amendments not yet adopted

Standards, amendments and interpretations that have been issued but not yet effective and not been early adopted by the Group during the Track Record Period are as follows:

		Effective for annual periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IAS 1	Non-current liabilities with covenants	January 1, 2024
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	January 1, 2024
Amendments to IFRS 16	Lease liability in a sale and leaseback	January 1, 2024
Amendments to IAS 21	Lack of exchangeability	January 1, 2025
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associates or joint venture	To be determined

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The Group has already commenced an assessment of the impact of these new or revised standards and interpretations, and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors, no significant impact on the financial performance and financial position of the Group is expected when they become effective.

(b) Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of profit or loss, statements of comprehensive (loss)/income, statements of changes in equity and balance sheets respectively.

Subsidiaries controlled through contractual arrangements

Due to legal restrictions on foreign ownership and investment in value-added telecommunications services, which include the operations of internet content providers, the Group operates these businesses in which foreign investment is restricted or prohibited in the People's Republic of China (the "PRC") through certain PRC domestic companies. The equity interests of these PRC domestic companies are held by certain management members of the Group ("Individual Shareholders"). The Group obtained control over these PRC operating entities via a series of the contractual arrangements signed ("Contractual Arrangements") between certain indirectly held subsidiaries of the Company in the PRC, PRC operating entities operating the restricted businesses (the "Consolidated Affiliated Entities") and their respective Individual Shareholders. The Contractual Arrangements, includes exclusive technical service agreements, exclusive call option agreements, loan agreements, equity pledge agreements and proxy agreements which enables those indirectly held subsidiaries of the Company and the Group to:

- govern the financial and operating policies of the Consolidated Affiliated Entities;
- exercise Individual Shareholders' voting rights of the Consolidated Affiliated Entities;
- exercise effective financial and operational control over of Consolidated Affiliated Entities;
- receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities in consideration for the technical and consulting services provided by certain PRC operating entities;
- obtain an irrevocable and exclusive right to purchase all or part of the equity interests in the Consolidated Affiliated Entities from the Individual Shareholders at a minimum purchase price permitted under the PRC laws and regulations and any proceeds from the transfer and any residual interests in the Consolidated Affiliated Entities shall be remitted to the Group immediately; and
- obtain a pledge over the entire equity interests of the Consolidated Affiliated Entities from their Individual Shareholders as collaterals to secure the payment obligations of all of the Consolidated Affiliated Entities' payments due to the Group and to secure performance of the Consolidated Affiliated Entities' obligation under Contractual Arrangements.

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As a result of the Contractual Arrangements, the Group has rights to exercise power over the Consolidated Affiliated Entities and their respective subsidiaries, receive variable returns from its involvement with the Consolidated Affiliated Entities and their respective subsidiaries and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and their respective subsidiaries. Therefore, the Company is considered to control the Consolidated Affiliated Entities and their respective subsidiaries. Consequently, the Company regards the Consolidated Affiliated Entities and their respective subsidiaries as consolidated entities of the Company under IFRS. The Group has included the financial positions and results of the Consolidated Affiliated Entities in the Historical Financial Information during the Track Record Period.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over the Consolidated Affiliated Entities and their respective subsidiaries and such uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities and their respective subsidiaries. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

(ii) *Associates and joint arrangements*

Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. The Group's investments in associates in the form of convertible redeemable preferred instruments or ordinary shares with preferential rights are financial assets designated at fair value through profit or loss. Other investments in associates are accounted for using the equity method of accounting (see (iii) below), after initially being recognized at cost.

Joint arrangements

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Company has joint ventures.

Joint ventures

Interests in joint ventures are accounted for using the equity method (see (iii) below), after initially being recognized at cost in the consolidated balance sheets.

(iii) *Equity method*

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.1(h).

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(iv) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

Gains or losses on dilution of equity interest in associates are recognized in the consolidated statements of profit or loss. If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Business combinations

The acquisition method of accounting is used to account for all business combinations not under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired, is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

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Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company and certain of its overseas subsidiaries is United States dollar ("USD"), Indonesia Dollars ("IDR") and other currencies. As the major operations of the Group are within the PRC, the Group presents its consolidated financial statements in Renminbi ("RMB"), unless otherwise stated.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within "Other gains/(losses) – net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gains or losses. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gains or losses and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognized in other comprehensive income.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognized in other comprehensive income.

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On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(e) Property, plant and equipment

Freehold land with unlimited useful life is recognized at historical cost and not subject to depreciation. The management assess at the end of each reporting period whether there is any indication that the land may be impaired. If any such indication exists, the management would estimate the recoverable amount and impaired the land when its carrying amount exceeds its recoverable amount. All other property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs net of residual values over their estimated useful lives, as follows:

	<u>Estimated useful life</u>
Warehouses and buildings	10 – 50 years
Machinery and equipment	3 – 10 years
Office and other equipment	3 – 5 years
Leasehold improvements	Shorter of their useful lives and the lease term

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction, which is stated at actual construction costs less any impairment loss. Construction in progress is transferred to property, plant and equipment when completed and ready for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.1(h)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in "Other gains/(losses) – net" in the consolidated statements of profit or loss.

(f) Investment properties

Investment properties are held for long-term rental yields and are not occupied by the Group. Investment properties are carried at historical costs less accumulated depreciation and accumulated impairment charges. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Depreciation is calculated on the straight-line method to allocate their costs net of their residual values over their estimated useful lives of 10-50 years. Investment properties' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Investment properties' carrying amounts are written down immediately to their recoverable amounts if their carrying amounts are greater than their estimated recoverable amounts (Note 2.1(h)).

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(g) *Intangible assets*

(i) *Goodwill*

Goodwill is measured as described in Note 2.1(c). Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(ii) *Developed technology and patents*

Separately acquired developed technology and patents are shown at historical cost. Developed technology acquired in a business combination are recognized at fair value at the acquisition date. They are amortized using the straight-line method over their estimated finite useful life of 3-10 years and are subsequently carried at cost less accumulated amortization and impairment losses.

(iii) *Software*

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortized over their estimated useful lives, which do not exceed 5 years.

Both the period and method of amortization are reviewed annually.

(iv) *Customer relationship*

Customer relationship acquired in a business combination are recognized at fair value at the acquisition date. It is amortized using the straight-line method over their estimated finite useful life of 5 years and are subsequently carried at cost less accumulated amortization and impairment losses.

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(h) Impairment of non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to depreciation or amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units, "CGU"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(i) Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortized cost.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at financial assets at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and

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recognized in “Other gains/(losses) – net”. Foreign exchange gains and losses are presented in “Other gains/(losses) – net” and impairment expenses are presented as separate line item in the consolidated statements of profit or loss.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the consolidated statements of profit or loss within “Other gains/(losses) – net” in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group’s management has elected to present fair value gains and losses on equity investments in profit or loss, there is no subsequent reclassification of fair value gains and losses to other comprehensive income following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as “Other income” when the Group’s right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in “Other gains/(losses) – net” in the consolidated statements of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iii) Impairment

The Group assesses on a forward-looking basis for the expected credit losses associated with financial assets carried at amortized cost (including trade and other receivables, restricted cash, cash and cash equivalents and term deposits). The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

For others, it is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

(j) Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount is reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in certain circumstances, such as default, insolvency, bankruptcy or the termination of a contract.

(k) Financial liabilities designated at fair value through profit or loss

The Group’s financial liabilities designated at fair value through profit or loss include preferred shares issued by one subsidiary of the Group and contingent consideration payables.

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The preferred shares are redeemable upon occurrence of certain conditional events. The contingent consideration payables are related to the acquisition of an investee, of which the rest consideration shall be paid by reference to the revenue of the investee for the following years after the acquisition. The Group designated the preferred shares and contingent consideration payables as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Subsequent to initial recognition, they are carried at fair value with changes in fair value recognized in profit or loss, except for the portion attributable to own credit risk change that should be charged to other comprehensive income.

(l) Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax liabilities are provided on temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates and joint ventures. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred income tax liability in relation to taxable temporary differences arising from the associates' and joint ventures' undistributed profit is not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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(m) Employee benefits

(i) Pension obligations and other social welfare benefits

The Group participates in various defined contribution retirement benefit plans which are available to all relevant employees. These plans are generally funded through payments to schemes established by governments. A defined contribution plan is a pension plan under which the Group pays contributions on a mandatory, contractual or voluntary basis into a separate fund. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior years. The Group's contributions to the defined contribution plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plans prior to vesting fully in the contributions.

(ii) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(iv) Share-based payments

The Group operates share incentive plans including share options schemes, RSUs schemes and restricted shares schemes, under which the Group receives services from employees as consideration for equity instruments (including share options, RSUs and restricted shares) of the Group. The fair value of the employee services received in exchange for the grant of equity instruments of the Group is recognized as an expense over the vesting period, i.e. the period over which all of the specified vesting conditions are to be satisfied and credited to equity.

For grant of share options, the total amount to be expensed is determined by reference to the fair value of the options granted by using Black-Scholes models:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions, and
- including the impact of any non-vesting conditions.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

For grant of RSUs and restricted shares, the total amount to be expensed is determined by reference to the fair value of the Company's shares at the grant date.

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(v) *Share-based compensation of Alibaba Group*

Alibaba Group operates a number of share incentive plans, under which Alibaba Group including the Group receives services from employees as consideration for equity instruments (including share options and RSUs) of Alibaba Group. The fair value of the employee services received in exchange for the grant of equity instruments of Alibaba Group is recognized as an expense over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied, and credited to contribution from shareholder under equity.

(vi) *Modifications*

Where the terms of the share-based payments plan are modified, the expense that is not yet recognized for the award is recognized over the remaining vesting period as if the terms had not been modified. If a modification increases the fair value of the equity instruments granted, the incremental fair value granted is included in the measurement of the amount recognized for the services received over the remainder of the vesting period. If the Group modifies the terms or conditions of its equity instruments granted in a manner that reduces the total fair value of the share-based payments arrangement, or is not otherwise beneficial to the employee, the Group shall nevertheless continue to account for the services received as consideration for the equity instruments granted as if that modification had not occurred.

(n) *Revenue recognition*

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognized when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenue to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgements on these assumptions and estimates may impact the revenue recognition.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

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Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified good or service to be provided by the other party.

Rendering of logistic services

The Group is involved in providing various logistics services, including Cross-border Express Delivery, China Premium Express Delivery, Overseas Local Logistics Services, Global Supply Chain and China Supply Chain.

Cross-border and China Premium Express Delivery and Overseas Local Logistics Services includes only one performance obligation, which is generally short-term in nature and with transit days being a month or less for each parcel. The transaction price the Group earns are based on delivery speed, parcel size and weight, shipping distance, special handling requirements and any ancillary charges.

Global and China Supply Chain provide end-to-end omni-channel supply chain services, encompassing first mile pick-up, transportation, product inspections, inventory storage, management and allocation and order fulfillment and distribution. The transaction price the Group earns are based on service selected, delivery speed, transportation method, special handling requirements and any ancillary charges.

Revenue from above logistic services is recognized over time as customers receive the benefits of the Group's services as the goods are transported from origin to destination.

Before December 2021, the Group also provided technology services related to logistics that manage the movement of goods from consumers back to manufacturers or sellers to various China express delivery companies through its online platform. The Group recognizes technology services over time as customers receive and consume the benefits simultaneously.

Sales of goods

The Group sells a range of logistic equipment to customers. Sales are recognized when the customers accept the products after the installation is completed or when the customers obtain the control of the products if no installation is required.

(o) Leases

(i) As a lessee

The group leases land use rights, various offices, warehouses and equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. A lease is recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. A right-of-use asset arising from land lease is presented as "Land use rights".

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Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortizing loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with all short-term leases and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

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(ii) *As a lessor*

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognized in accordance with Note 2.1(n).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 2.1(o)(i), then the Group classifies the sub-lease as an operating lease.

(p) *Government grants*

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized as income or matched with the associated costs and expenses which the grants are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred revenue and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

(q) *Interest income*

Interest income from financial assets at fair value through profit or loss is included in the other income. Interest income on financial assets at amortized cost and financial assets at FVOCI calculated using the effective interest method is recognized in profit or loss as part of other income. Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(r) *Earnings per share*

(i) *Basic earnings per share*

Basic (loss)/earnings per share is calculated by dividing:

- the (loss)/profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares,
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury stock.

(ii) *Diluted earnings per share*

Diluted (loss)/earnings per share adjusts the figures used in the determination of basic (loss)/earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

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2.2 Summary of other accounting policies

(a) *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(b) *Segment reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer that make strategic decisions.

(c) *Inventories*

Inventories are comprised of finished goods and low-value consumables. Finished goods are logistics related equipment for sale. Low value consumables are consumables used in performing express delivery services, freight delivery services and supply chain management services such as handheld terminals and packing materials. Inventories are primarily accounted for using the weighted average method and are stated at the lower of cost and net realizable value.

(d) *Trade and other receivables*

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognized at fair value. The Group holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 3.1(b) for description of the Group's impairment policy for trade and other receivables.

(e) *Cash and cash equivalents and restricted cash*

For the purpose of presentation in the statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash that is restricted from withdrawal, from use or from being pledged as security is reported separately on the face of the consolidated balance sheets, and is not included in the total cash and cash equivalents in the consolidated statements of cash flows.

(f) *Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or share options are shown in equity as a deduction from the proceeds.

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(g) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Majority of other payables are construction payables, employee benefits payable, amounts due to related parties and amounts collected on behalf of third parties. Trade and other payables are classified as current liabilities if payment is due within one year (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(h) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(i) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(j) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expenses.

(k) Dividends distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

(l) Dividend income

Dividend income is recognized when the right to receive payment is established.

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3 Financial risk management

The Group’s activities expose to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group’s financial performance.

The Group’s risk management is carried out by a centralized treasury department (the “Group Treasury”). Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group’s business team.

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective functional currency of the Group’s subsidiaries. The functional currency of the Company and majority of its overseas subsidiaries is USD whereas the functional currency of the subsidiaries which operate in the PRC is RMB.

The Group’s exposure to foreign currency risk at the end of the reporting period, expressed in RMB currency units, was as follows:

	USD denominated	Hong Kong Dollars (“HKD”) denominated	Other currencies
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As at March 31, 2021			
Monetary assets, current	701,795	112,792	85,724
Monetary liabilities, current	(1,065,936)	(89,084)	(283,989)
Monetary liabilities, non-current	(36,343)	(3,757)	–
	<u>(400,484)</u>	<u>19,951</u>	<u>(198,265)</u>
As at March 31, 2022			
Monetary assets, current	1,666,540	28,922	849,913
Monetary assets, non-current	125	–	–
Monetary liabilities, current	(1,842,693)	(79,870)	(625,802)
Monetary liabilities, non-current	(562)	(5)	–
	<u>(176,590)</u>	<u>(50,953)</u>	<u>224,111</u>
As at March 31, 2023			
Monetary assets, current	3,113,395	55,078	1,384,638
Monetary liabilities, current	(1,580,103)	(222,174)	(898,339)
Monetary liabilities, non-current	–	(5)	–
	<u>1,533,292</u>	<u>(167,101)</u>	<u>486,299</u>
As at June 30, 2023			
Monetary assets, current	1,958,412	36,927	1,210,552
Monetary liabilities, current	(2,166,056)	(222,353)	(1,029,005)
Monetary liabilities, non-current	(14,943)	(6)	–
	<u>(222,587)</u>	<u>(185,432)</u>	<u>181,547</u>

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A 5 percent strengthening of the RMB against the following currencies at March 31, 2021, 2022 and 2023 and June 30, 2023 would have changed (loss)/profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	As at March 31,			As at
	2021	2022	2023	June 30,
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
Net effect on (loss)/profit before tax ((decrease)/increase)				
USD	(20,024)	(8,830)	76,665	11,129
HKD	998	(2,548)	(8,355)	9,272
Others	(9,913)	11,206	24,315	(9,077)
Total	<u>(28,939)</u>	<u>(172)</u>	<u>92,625</u>	<u>11,324</u>

A 5 percent weakening of the RMB against the above currencies at March 31, 2021, 2022 and 2023 and June 30, 2023 would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

(ii) Interest rate risk

The Group’s income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for cash and cash equivalents, restricted cash, term deposits and loan receivables, details of which have been disclosed in Notes 26, 26, 27 and 25.

If the interest rate of term deposits with initial terms of over three months had been 50 basis points higher/lower, the loss before income tax for the years ended March 31, 2021, 2022 and 2023 and the three months ended June 30, 2022 would have been RMB684,000, RMB207,000, RMB823,000 and nil lower/higher, whereas the profit before income tax for the three months ended June 30, 2023 would have been RMB349,000 higher/lower.

The Group’s exposure to changes in interest rates is also attributable to its borrowings details of which have been disclosed in Notes 31, representing a substantial portion of the Group’s debts. Borrowings carried at floating rates expose the Group to cash flow interest-rate risk whereas those carried at fixed rates expose the Group to fair value interest-rate risk.

The Group regularly monitors its interest rate risk to identify if there are any undue exposures to significant interest rate movements and manages its cash flow interest rate risk by using interest rate swaps, whenever considered necessary.

(iii) Price risk

The Group is exposed to equity price risk mainly arising from investments held by the Group that are classified as FVPL (Note 24). The investments are made either for strategic purposes, or for the purpose of achieving investment yield and balancing the Group’s liquidity level simultaneously. Each investment is managed by senior management of the Group on a case by case basis.

Sensitivity analysis is performed by management to assess the exposure of the Group’s financial results to equity price risk of FVPL at the end of each reporting period. If prices of the respective instruments held by the Group had been 5% higher/lower as at March 31, 2021, 2022 and 2023 and June 30, 2022, loss for the year/period would have been approximately RMB80,032,000, RMB68,438,000 and RMB78,157,000 and RMB85,257,000 lower/higher as a result of gains/losses on equity financial instruments classified as at FVPL, whereas the profit before income tax for the three months ended June 30, 2023 would have been RMB69,899,000 higher/lower.

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(b) *Credit risk*

(i) *Risk management*

The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted cash, term deposits as well as trade and other receivables. The carrying amount of each class of these financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

To manage risk arising from cash and cash equivalents, restricted cash and term deposits, the Group only transacts with state-owned or reputable financial institutions which are all high-credit-quality financial institutions all over the world. There has been no recent history of default in relation to these financial institutions.

To manage risk arising from trade receivables, the Group has policies in place to ensure that sales with credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit period granted to the customers is usually no more than 180 days and the credit quality of these customers is assessed, which takes into account their financial position, past experiences and other factors.

For other receivables, management makes periodic collective assessments as well as individual assessments on the recoverability of other receivables based on historical settlement records and past experiences.

(ii) *Impairment of financial assets*

The Group has three types of assets that are subject to the expected credit loss model:

- cash and cash equivalents, restricted cash and term deposits;
- trade receivables; and
- other receivables

Cash and cash equivalents, restricted cash and term deposits

Cash and cash equivalents, restricted cash and term deposits are considered to have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. Cash and cash equivalents, restricted cash and term deposits are also subject to the impairment requirements of IFRS 9, while the identified impairment loss was immaterial.

Trade receivables

The Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and aging periods.

Before March 31, 2023, the expected loss rates for one group of trade receivables from certain related parties are based on historical payment profiles, historical credit loss rates by credit rating and data published by external credit rating institution. For other groups, the Group established provision matrices based on historical observed default rates. Starting from April 1, 2023, expected loss for all groups were estimated using the provision matrices based on historical observed default rates. The loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product ("GDP") and consumer price index ("CPI") of the countries in which it provides its services to be the most relevant factors, and accordingly adjusts the loss rates based on expected changes in these factors. Details of loss allowance of trade receivables as at March 31, 2021, 2022 and 2023 and June 30, 2023 were included in Note 25.

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Other receivables

Other receivables mainly include deposits, amounts due from related parties and others. The Group measures credit risk considering factors including historical experience, internal/external credit rating, overdue status and nature of relevant other receivables, and also other forward-looking information including macroeconomic factors. ECL model for other receivables, as summarized below:

- Other receivables that are not credit-impaired on initial recognition are classified in ‘Stage 1’ and have their credit risk continuously monitored by the Group. The expected credit loss is measured on a 12-month basis.
- If a significant increase in credit since initial recognition is identified, the financial instrument is moved to ‘Stage 2’ but is not yet deemed to be credit-impaired. The expected credit loss is measured on lifetime basis.
- If the financial instrument is credit-impaired, the financial instrument is then moved to ‘Stage 3’. The expected credit loss is measured on lifetime basis.

Details of loss allowance of other receivables as at March 31, 2021, 2022 and 2023 and June 30, 2023 were included in Note 25.

Write-off policy

Financial assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasing enforcement activity. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to regularly monitor the Group’s liquidity risk and to maintain adequate cash and cash equivalents to meet the Group’s liquidity requirements.

The tables below analyze the Group’s financial liabilities into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual maturities of financial liabilities	Within 1	Between 1	Between 2	Over 5	Total	Carrying
	year or on demand	and 2 years	and 5 years	years	contractual cash flows	amount liabilities
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At March 31, 2021						
Financial liabilities designated at fair value through profit or loss (i)	–	–	–	520,259	520,259	2,478
Trade and other payables (excluding employee benefits payables and taxes and surcharge payables)	10,291,346	–	–	–	10,291,346	10,291,346
Borrowings	3,288,543	1,094,654	3,704,154	1,771,237	9,858,588	8,914,313
Other financial liabilities	1,512,985	315,364	1,074,315	24,220,441	27,123,105	8,083,316
Lease liabilities	409,758	195,572	258,407	151,331	1,015,068	908,679
	<u>15,502,632</u>	<u>1,605,590</u>	<u>5,036,876</u>	<u>26,663,268</u>	<u>48,808,366</u>	<u>28,200,132</u>

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Contractual maturities of financial liabilities	Within 1	Between 1	Between 2	Over 5	Total	Carrying
	year or on demand	and 2 years	and 5 years	years	contractual cash flows	amount liabilities
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At March 31, 2022						
Financial liabilities designated at fair value through profit or loss (i)	20,589	20,589	–	507,292	548,470	43,575
Trade and other payables (excluding employee benefits payables and taxes and surcharge payables)	12,974,508	–	–	–	12,974,508	12,974,508
Borrowings	4,759,159	748,926	5,554,111	1,534,507	12,596,703	11,301,344
Long-term payables	–	13,357	823	–	14,180	14,180
Other financial liabilities	354,112	333,825	1,117,062	24,150,384	25,955,383	7,380,502
Lease liabilities	436,722	230,784	355,635	91,178	1,114,319	1,019,945
	<u>18,545,090</u>	<u>1,347,481</u>	<u>7,027,631</u>	<u>26,283,361</u>	<u>53,203,563</u>	<u>32,734,054</u>
At March 31, 2023						
Financial liabilities designated at fair value through profit or loss (i)	20,589	–	–	547,926	568,515	23,178
Trade and other payables (excluding employee benefits payables and taxes and surcharge payables)	15,159,765	–	–	–	15,159,765	15,159,765
Borrowings	2,526,812	2,096,844	10,042,560	5,889,311	20,555,527	16,002,653
Long-term payables	–	11,836	7,134	500	19,470	19,470
Other financial liabilities	319,520	339,647	1,133,452	22,900,156	24,692,775	7,574,977
Lease liabilities	598,827	373,723	304,653	12,365	1,289,568	1,246,388
	<u>18,625,513</u>	<u>2,822,050</u>	<u>11,487,799</u>	<u>29,350,258</u>	<u>62,285,620</u>	<u>40,026,431</u>

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Contractual maturities of financial liabilities	Within 1	Between 1	Between 2	Over 5	Total	Carrying
	year or on demand	and 2 years	and 5 years	years	contractual cash flows	amount liabilities
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At June 30, 2023						
Financial liabilities designated at fair value through profit or loss (i)	20,589	–	–	579,148	599,737	23,326
Trade and other payables (excluding employee benefits payables and taxes and surcharge payables)	19,167,326	–	–	–	19,167,326	19,167,326
Borrowings	2,593,244	2,380,925	10,431,749	6,775,180	22,181,098	17,380,638
Long-term payables	–	5,509	5,636	370	11,515	11,515
Other financial liabilities	358,178	382,579	1,316,056	22,849,216	24,906,029	7,953,010
Lease liabilities	668,472	416,436	295,214	11,598	1,391,720	1,344,753
	<u>22,807,809</u>	<u>3,185,449</u>	<u>12,048,655</u>	<u>30,215,512</u>	<u>68,257,425</u>	<u>45,880,568</u>

- (i) Financial liabilities designated at fair value through profit or loss mainly comprised preferred shares of one subsidiary of the Group (Note 32). The redemption of the preferred shares is conditional on the occurrence of certain remote events, such as material adverse change in the regulatory landscape and cause the contractual arrangements for maintaining effective control over the structured entities’ operation to become invalidated. The total contractual cash flow disclosed here was calculated at the expected redemption amount upon the occurrence of redemption events mentioned above. In August 2023, the Group and the subsidiary’s preferred shareholders entered into a share purchase agreement, pursuant to which, the Group acquired all the subsidiary’s preferred shares at a cash consideration of USD1,000.

3.2 Capital management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, the Group considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company’s shares. In the opinion of the directors of the Company, the Group’s capital risk is not significant.

The Group believes that cash flows from operating activities, available cash and cash equivalents as well as access to borrowing facilities, will be sufficient to fund capital expenditures, debt servicing, dividend payments and other cash requirements going forward.

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3.3 Fair value estimation

(a) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

	Notes	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at March 31, 2021					
Assets					
– Financial assets at fair value through profit or loss	24	1,601,363	–	1,611,597	3,212,960
Liabilities					
– Financial liabilities designated at fair value through profit or loss	32	–	–	2,478	2,478
As at March 31, 2022					
Assets					
– Financial assets at fair value through profit or loss	24	1,368,661	–	5,383,576	6,752,237
Liabilities					
– Financial liabilities designated at fair value through profit or loss	32	–	–	43,575	43,575
As at March 31, 2023					
Assets					
– Financial assets at fair value through profit or loss	24	1,563,733	–	6,095,318	7,659,051
Liabilities					
– Financial liabilities designated at fair value through profit or loss	32	–	–	23,178	23,178
As at June 30, 2023					
Assets					
– Financial assets at fair value through profit or loss	24	1,397,978	–	6,471,504	7,869,482
Liabilities					
– Financial liabilities designated at fair value through profit or loss	32	–	–	23,326	23,326

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The Group’s policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for prepayments for acquisition of an associate, unlisted debt investments, derivatives and structured deposits.

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments;
- The discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate;
- The latest round financing, i.e. the prior transaction price or the third-party pricing information; and
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

(c) Fair value measurements using significant unobservable inputs (level 3)

During the Track Record Period, there was no transfer between level 1 and 2 for recurring fair value measurements of financial assets. Transfers in and out of level 3 measurements are set out in the following table, which presents the changes of FVPL in level 3 for the years ended March 31, 2021, 2022 and 2023 and the three months ended June 30, 2022 and 2023:

	Year ended March 31,			Three months ended June 30,	
	2021	2022	2023	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
At the beginning of the year/period	1,375,641	1,611,597	5,383,576	5,383,576	6,095,318
Additions	201,438	2,344,190	554,921	–	300,000
Deductions	–	–	(41,412)	–	(99,720)
Transfers from associates (Note 21)	–	902,358	–	–	–
Transfers to associates (i)	–	(65,217)	–	–	–
Transfers to level 1 (ii)	–	–	(304,042)	(304,042)	–
Changes in fair value	48,195	635,700	172,253	227,551	(71,341)
Currency translation differences	(13,677)	(45,052)	330,022	173,684	247,247
At the end of the year/period	<u>1,611,597</u>	<u>5,383,576</u>	<u>6,095,318</u>	<u>5,480,769</u>	<u>6,471,504</u>

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- (i) During the year ended March 31, 2022, a prepayment for investment was transferred to investment in associates upon the completion of the acquisition of the associate.
- (ii) During the year ended March 31, 2023, transfer from level 3 to level 1 were mainly due to the successful [REDACTED] (“[REDACTED]”) of an investee.

The following table presents the changes in level 3 items including financial liabilities at fair value through profit or loss for the years ended March 31, 2021, 2022 and 2023 and the three months ended June 30, 2022 and 2023:

	Year ended March 31,			Three months ended June 30,	
	2021	2022	2023	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
At the beginning of the year/period	2,676	2,478	43,575	43,575	23,178
Additions	–	41,178	–	–	–
Deductions	–	–	(20,589)	–	–
Currency translation differences	(198)	(81)	192	130	148
At the end of the year/period	<u>2,478</u>	<u>43,575</u>	<u>23,178</u>	<u>43,705</u>	<u>23,326</u>

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group’s level 3 instruments. External valuation experts will be involved when necessary. The Group engaged an independent valuer to assist them on valuation of non-current unlisted debt investments and derivatives.

The following table summarizes the quantitative information about the significant unobservable inputs (except the latest financing information of funding companies) used in recurring level 3 fair value measurements of FVPL:

As at March 31, 2021

Description	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Unlisted debt investments	Expected volatility	50%	Depends on rights and restrictions of shares held by the Group
	Risk-free rate	0.14%-0.36%	Depends on rights and restrictions of shares held by the Group
	Discount for lack of marketability (“DLOM”)	28%	The higher the DLOM, the lower the fair value

As at March 31, 2022

Description	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Unlisted debt investments	Expected volatility	41%-77%	Depends on rights and restrictions of shares held by the Group
	Risk-free rate	0.56%-2.44%	Depends on rights and restrictions of shares held by the Group
	DLOM	21%-28%	The higher the DLOM, the lower the fair value
Derivatives	Expected volatility	38%	The higher the expected volatility, the higher the fair value
	Risk-free rate	2.24%	The higher the risk-free rate, the higher the fair value

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<u>Description</u>	<u>Unobservable inputs</u>	<u>Range of inputs</u>	<u>Relationship of unobservable inputs to fair value</u>
Unlisted debt investments	Expected volatility	37%-86%	Depends on rights and restrictions of shares held by the Group
	Risk-free rate	2.36%-4.79%	Depends on rights and restrictions of shares held by the Group
	DLOM	7%-28%	The higher the DLOM, the lower the fair value
Derivatives	Expected volatility	37%-45%	The higher the expected volatility, the higher the fair value
	Risk-free rate	3.76%-4.74%	The higher the risk-free rate, the higher the fair value

As at June 30, 2023

<u>Description</u>	<u>Unobservable inputs</u>	<u>Range of inputs</u>	<u>Relationship of unobservable inputs to fair value</u>
Unlisted debt investments	Expected volatility	34%-94%	Depends on rights and restrictions of shares held by the Group
	Risk-free rate	1.89%-5.47%	Depends on rights and restrictions of shares held by the Group
	DLOM	6%-28%	The higher the DLOM, the lower the fair value
Derivatives	Expected volatility	31%-44%	The higher the expected volatility, the higher the fair value
	Risk-free rate	4.45%-5.46%	The higher the risk-free rate, the higher the fair value

As at March 31, 2021, 2022 and 2023 and June 30, 2023, if the Group’s key valuation assumption, including expected volatility, risk-free rate and DLOM, used to determine the fair value of the FVPL had increased/decreased by 10% with all other variables held constant, the impact on the (loss)/profit before income tax due to estimated fair value changes of the unlisted debt investments and derivatives are shown in below table:

As at March 31, 2021

	<u>Expected volatility</u>	<u>Risk-free rate</u>	<u>DLOM</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Impact on the loss before income tax (increase/(decrease))			
Increase 10%	4,651	(74)	17,398
Decrease 10%	(5,241)	29	(17,398)

As at March 31, 2022

	<u>Expected volatility</u>	<u>Risk-free rate</u>	<u>DLOM</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Impact on the loss before income tax ((decrease)/increase)			
Increase 10%	(1,298)	2,354	18,219
Decrease 10%	2,509	(2,378)	(18,197)

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As at March 31, 2023

	<u>Expected volatility</u>	<u>Risk-free rate</u>	<u>DLOM</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Impact on the loss before income tax (increase/(decrease))			
Increase 10%	5,177	3,592	28,310
Decrease 10%	(5,628)	(3,629)	(28,410)

As at June 30, 2023

	<u>Expected volatility</u>	<u>Risk-free rate</u>	<u>DLOM</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Impact on the profit before income tax ((decrease)/increase)			
Increase 10%	(9,441)	(4,064)	(27,034)
Decrease 10%	10,308	4,100	26,658

For the fair value of structured deposits, management considered that any reasonable changes in the yield rate would not result in a significant change in the Group’s results for the three months ended June 30, 2023.

For the fair value of preferred shares of one subsidiary of the Group, management considered that any reasonable changes in the expected volatility, risk-free rate or DLOM would not result in a significant change in the Group’s results for the years ended March 31, 2021, 2022 and 2023 and the three months ended June 30, 2023.

For the fair value of contingent consideration payables related to acquisition of a FVPL, management considered that any reasonable changes in the growth rate of revenue or expected volatility would not result in a significant change in the Group’s results for the years ended March 31, 2022 and 2023 and the three months ended June 30, 2023.

The carrying amounts of the Group’s financial assets and financial liabilities measured at amortized cost are approximate their fair values.

4 Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the Group’s accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experiences and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Recognition of share-based compensation expenses

As mentioned in Note 30, the Group granted share options, RSUs and restricted shares to employees. The fair value of the ordinary shares is determined by the discounted cash flow method at the grant date. The fair value of the share options is determined by the Black-Scholes option-pricing model at the grant date, and is expected to be expensed over the respective vesting period. Significant estimates on assumptions, including underlying equity value, risk-free interest rate, expected volatility, dividend yield, and terms, are made by the directors and third-party valuers.

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(b) Recoverability of non-financial assets

The Group tests annually whether goodwill has suffered any impairment. Other non-financial assets, mainly including property, plant and equipment, construction in progress, intangible assets, investment properties, land use rights, other right-of-use assets as well as investments in associates and joint ventures are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs of disposal. These calculations require the use of judgments and estimates.

Judgment is required to identify any impairment indicators existing for any of the Group’s goodwill and other non-financial assets, to determine appropriate impairment approaches, i.e., fair value less costs of disposal or value in use, for impairment review purposes, and to select key assumptions applied in the adopted valuation models, including discounted cash flows and market approach. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and in turn affect the Group’s financial condition and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to take additional impairment charge to the consolidated statements of profit or loss.

(c) Estimation of the fair values of financial assets and financial liabilities

The fair values of financial instruments that are not traded in active markets are determined using valuation techniques. The Group uses its judgements to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair values of these financial assets and financial liabilities (Note 3.3).

(d) Estimation of current income taxes and deferred taxes

The Group is subject to income taxes in a number of jurisdictions. Significant judgment is required in determining the provision for income taxes in various jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

(e) Scope of consolidation

Consolidation is required only if control exists. The Group controls an investee when it has all the following: (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group’s returns. Power results from rights that can be straightforward through voting rights or complicated in contractual arrangements. Variable returns normally encompass financial benefits and risks, but in certain cases, they also include operational values specific to the Group. These three factors cannot be considered in isolation by the Group in its assessment of control over an investee. Where the factors of control are not apparent, significant judgment is applied in the assessment, which is based on an overall analysis of all of the relevant facts and circumstances.

The Group holds 5% share of partnership in Hangzhou Xinliu Investment Partnership (Limited Partnership) (“Xinliu”), 20% share of partnership in Jicang (Tianjin) Logistic Equity Investment Fund Partnership (Limited Partnership) (“Jicang”) and 37% share of funds in Cainiao GSUM-CITIC Securities-China Smart Logistic Network Assets Backed Plan (“ABS plan”) before the redemption of ABS Plan. The Group had power over the relevant activities of those investees, and despite its direct interests was below 50%, the Group is also exposed to other variable returns from those investees. Considering all facts and circumstances, including the purposes and design of the investee, relevant terms indicated in investment agreements, the directors were of the opinion that the Group controls those investees and thus consolidated them.

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The Group is required to reassess whether it controls the investee if facts and circumstances indicate a change to one or more of the three factors of control.

(f) Measurement of other financial liabilities

As disclosed in Note 33, the measurement of the investor's investment in consolidated limited partnerships were measured at the present value of the expected cash flows for distributing dividends to investors during the duration of partnerships and redemption of investor's investment at the liquidation of partnerships. The Group applied a discount rate performed by an independent valuer to determine the initial recognition amount of the financial liabilities. The Group exercises its judgements to determine the cash flows and make assumptions that are mainly based on market conditions existing at the respective valuation dates.

5 Segment information

The Group's chief operating decision maker has been identified as the Chief Executive Officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole. On that basis, the Group has determined that it only has one operating segment during the Track Record Period.

The Group does not distinguish between markets or segments for the purpose of internal reports. As most of the Group's non-current assets are all located in the PRC and most of the Group's revenue are derived from the PRC, no geographical information is presented.

6 Revenue

Disaggregation of revenues from contracts with customers:

	Year ended March 31,			Three months ended June 30,	
	2021	2022	2023	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Revenue from contracts with customers	52,511,145	66,472,964	77,256,103	17,224,325	23,020,240
Revenue from other sources – rental income	221,667	393,952	543,572	111,561	143,797
	<u>52,732,812</u>	<u>66,866,916</u>	<u>77,799,675</u>	<u>17,335,886</u>	<u>23,164,037</u>
Timing of revenue recognition is analyzed as follows:					
Over time	51,489,881	64,971,136	75,217,331	16,949,946	22,238,874
Point in time	1,021,264	1,501,828	2,038,772	274,379	781,366
Rental income	221,667	393,952	543,572	111,561	143,797
	<u>52,732,812</u>	<u>66,866,916</u>	<u>77,799,675</u>	<u>17,335,886</u>	<u>23,164,037</u>

(a) Information about major customers

During the Track Record Period, revenue from Alibaba Group exceeded 10% of total revenue of the Group, details are set out below:

	Year ended March 31,			Three months ended June 30,	
	2021	2022	2023	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Alibaba Group (Note 40(c))	<u>15,423,436</u>	<u>20,613,943</u>	<u>21,900,931</u>	<u>5,207,935</u>	<u>6,880,134</u>

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(b) Contract liabilities

The Group has recognized the following liabilities related to contracts with customers:

	As at March 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2023
Contract liabilities	1,638,992	1,358,183	2,259,810	1,847,710

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be transferred. Due to the generally short-term duration of the relevant contracts, all of the contact liabilities are recognized in the following year.

(c) Unsatisfied performance obligation

All the unsatisfied contracts are for periods of one year or less or are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these contracts is not disclosed.

7 Other income

	Year ended March 31,			Three months ended	
	2021	2022	2023	June 30,	
	RMB'000	RMB'000	RMB'000	2022	2023
				(Unaudited)	
Government grants (i)	149,081	505,972	376,731	41,935	61,034
Dividend income from FVPL	15,075	12,768	102,847	12,635	20,255
Interest income derived from loans to related parties (Note 40(c))	4,603	10,051	10,832	3,456	903
Interest income received from FVPL	–	–	–	–	97,508
	168,759	528,791	490,410	58,026	179,700

(i) Governments grants primarily comprised the financial subsidy received from local government authorities in the PRC.

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8 Other gains/(losses) – net

	Year ended March 31,			Three months ended June 30,	
	2021	2022	2023	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Net foreign exchange gains/(losses)	308,708	156,618	(520,356)	(149,848)	(22,567)
Fair value (losses)/gains on financial assets and liabilities at fair value through profit or loss and gains from measurement of an associate to FVPL	(273,450)	1,164,702	64,119	200,407	(300,601)
Net losses on disposals of property, plant and equipment	(20,629)	(20,510)	(34,443)	(1,462)	(1,889)
(Losses)/gains on early termination or modification of lease	(599)	1,564	18,487	1,416	2,625
Dilution gains on deemed disposal of an associate (Note 21)	36,747	–	–	–	–
Gains from disposals of subsidiaries and their joint ventures (Note 14(b))	–	–	287,325	–	–
Others	(13,117)	1,329	10,086	(4,586)	12,300
	<u>37,660</u>	<u>1,303,703</u>	<u>(174,782)</u>	<u>45,927</u>	<u>(310,132)</u>

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9 Expenses by nature

	Year ended March 31,			Three months ended June 30,	
	2021	2022	2023	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Fulfillment costs (i)	40,932,461	51,747,217	59,719,136	13,432,088	16,435,176
Employee benefits expenses (Note 10)	5,031,769	7,828,332	8,584,647	1,840,356	2,030,659
Outsourced labor costs	4,434,857	5,970,446	7,262,340	1,483,519	2,708,449
Depreciation of property, plant and equipment, investment properties and other right-of-use assets (Note 15, 16 and 18)	1,334,439	1,475,810	1,736,912	419,387	480,303
Promotion and advertising expenses	1,063,843	1,033,949	409,802	55,310	101,163
Taxes and levies	189,867	261,331	278,162	62,558	99,146
Impairment losses on property, plant and equipment, land use rights and investment properties (Note 15, 16 and 17)	108,590	–	121,696	–	100,715
Amortization of intangible assets (Note 19)	83,942	80,655	79,921	20,013	19,453
Amortization of land use rights (Note 17)	77,698	83,495	96,306	27,098	22,958
Auditor’s remuneration– Audit services	2,432	2,592	2,086	522	196
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Others	933,256	1,337,639	1,243,140	269,848	292,575
Total cost of revenue, sales and marketing expenses, general and administrative expenses and product development expenses	<u>54,193,154</u>	<u>69,821,466</u>	<u>79,534,148</u>	<u>17,610,699</u>	<u>22,302,627</u>

(i) The cost of inventories recognized as “Cost of revenue” and included in the fulfillment costs during the years ended March 31, 2021, 2022 and 2023 and three months ended June 30, 2022 and 2023 amounted to RMB1,868,098,000, RMB2,174,655,000, RMB2,769,713,000, RMB477,377,000 and RMB837,416,000, respectively.

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10 Employee benefits expenses

	Year ended March 31,			Three months ended June 30,	
	2021	2022	2023	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Wages, salaries and bonuses	3,689,913	4,944,021	5,376,835	1,269,083	1,429,362
Contributions to pension plans (i)	121,049	345,964	401,917	96,007	105,171
Welfare, medical and other expenses (ii)	371,759	536,287	660,310	152,985	173,023
Share-based compensation expenses (Note 30)	849,048	2,002,060	2,145,585	322,281	323,103
	<u>5,031,769</u>	<u>7,828,332</u>	<u>8,584,647</u>	<u>1,840,356</u>	<u>2,030,659</u>

(i) As stipulated by rules and regulations, the Group contributes to state-sponsored retirement schemes for its employees in the PRC. The Group contribute a specified percentage of the salaries of the employees as determined by local government authority and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees.

(ii) Employees of the Group in the PRC are entitled to participate in various government-supervised housing fund, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group’s liability in respect of these funds are limited to the contributions paid/payable in each year/period.

(iii) According to policies issued by the Ministry of Human Resources and Social Security and local municipal departments, due to the impact from Coronavirus Disease 2019 (COVID-19), social security relief policies have been successively implemented by local authorities. As such, the social insurance expenses for the period from February to June 2020 have been reduced accordingly.

(iv) During the Track Record Period, no forfeited contributions were utilized by the Group to reduce its contributions.

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended March 31, 2021, 2022, and 2023 and the three months ended June 30, 2022 and 2023, include 1, 1, 1, 1 and 1 director whose emoluments are reflected in analysis shown in Note 10(b) below. The emoluments payable to the remaining 4, 4, 4, 4 and 4 individuals for the years ended March 31, 2021, 2022 and 2023 and the three months ended June 30, 2022 and 2023 are as follows:

	Year ended March 31,			Three months ended June 30,	
	2021	2022	2023	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Wages, salaries and bonuses	14,769	10,599	14,690	3,664	4,349
Contributions to pension plans	121	139	149	36	37
Welfare, medical and other expenses	260	342	1,639	86	296
Share-based compensation expenses	25,042	97,833	72,050	16,215	10,573
	<u>40,192</u>	<u>108,913</u>	<u>88,528</u>	<u>20,001</u>	<u>15,255</u>

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The emoluments, except for that of the one director fell within the following bands:

	Year ended March 31,			Three months ended June 30,	
	2021	2022	2023	2022	2023
				<i>(Unaudited)</i>	
Emolument bands (in HK dollar)					
HKD4,000,001 to HKD4,500,000	–	–	–	–	4
HKD5,000,001 to HKD5,500,000	–	–	–	1	–
HKD6,000,001 to HKD6,500,000	–	–	–	3	–
HKD8,000,001 to HKD8,500,000	1	–	–	–	–
HKD9,000,001 to HKD9,500,000	1	–	–	–	–
HKD9,500,001 to HKD10,000,000	1	–	–	–	–
HKD18,500,001 to HKD19,000,000	1	–	–	–	–
HKD23,500,001 to HKD24,000,000	–	–	1	–	–
HKD25,000,001 to HKD25,500,000	–	–	1	–	–
HKD25,500,001 to HKD26,000,000	–	–	1	–	–
HKD26,500,001 to HKD27,000,000	–	1	1	–	–
HKD34,000,001 to HKD34,500,000	–	1	–	–	–
HKD35,000,001 to HKD35,500,000	–	1	–	–	–
HKD35,500,001 to HKD36,000,000	–	1	–	–	–
	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

(b) Benefits and interests of directors

The remuneration of each director of the Group for the year ended March 31, 2021 are set out as follows:

	Wages, salaries and bonuses		Contributions to pension plans	Welfare, medical and other expenses	Total
	Fees				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
– Mr. Lin WAN	–	7,203	26	100	7,329
Non-executive directors					
– Mr. Joseph C. TSAI (i)	–	–	–	–	–
– Ms. Wenhong TONG (i)	–	–	–	–	–
– Mr. Yong ZHANG (i)	–	–	–	–	–
– Mr. Xuegao HAN	–	–	–	–	–
– Mr. Qunbin WANG (ii)	–	–	–	–	–
– Mr. Guojun SHEN	–	–	–	–	–
– Mr. Xin HUANG (iii)	–	–	–	–	–
	<u>–</u>	<u>7,203</u>	<u>26</u>	<u>100</u>	<u>7,329</u>

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The remuneration of each director of the Group for the year ended March 31, 2022 are set out as follows:

	Fees	Wages, salaries and bonuses	Contributions to pension plans	Welfare, medical and other expenses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors					
– Mr. Lin WAN	–	7,205	35	131	7,371
Non-executive directors					
– Mr. Joseph C. TSAI (i)	–	–	–	–	–
– Ms. Wenhong TONG (i)	–	–	–	–	–
– Mr. Yong ZHANG (i)	–	–	–	–	–
– Mr. Xuegao HAN	–	–	–	–	–
– Mr. Guojun SHEN	–	–	–	–	–
– Mr. Xin HUANG	–	–	–	–	–
	–	7,205	35	131	7,371

The remuneration of each director of the Group for the year ended March 31, 2023 are set out as follows:

	Fees	Wages, salaries and bonuses	Contributions to pension plans	Welfare, medical and other expenses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors					
– Mr. Lin WAN	–	7,205	38	172	7,415
Non-executive directors					
– Mr. Joseph C. TSAI (i, iv)	–	–	–	–	–
– Ms. Wenhong TONG (i)	–	–	–	–	–
– Mr. Yong ZHANG (i)	–	–	–	–	–
– Mr. Xuegao HAN	–	–	–	–	–
– Mr. Guojun SHEN	–	–	–	–	–
– Mr. Xin HUANG	–	–	–	–	–
– Mr. Hong XU (i, v)	–	–	–	–	–
	–	7,205	38	172	7,415

The remuneration of each director of the Group for the three months ended June 30, 2023 are set out as follows:

	Fees	Wages, salaries and bonuses	Contributions to pension plans	Welfare, medical and other expenses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors					
– Mr. Lin WAN	–	1,801	9	45	1,855
Non-executive directors					
– Mr. Joseph C. TSAI (i, iv)	–	–	–	–	–
– Ms. Wenhong TONG (i, vi)	–	–	–	–	–
– Mr. Yong ZHANG (i, vi)	–	–	–	–	–
– Mr. Xuegao HAN	–	–	–	–	–
– Mr. Guojun SHEN	–	–	–	–	–
– Mr. Xin HUANG	–	–	–	–	–
– Mr. Hong XU (i, v)	–	–	–	–	–
– Mr. Shan DAI (i, vii)	–	–	–	–	–
– Mr. Fan JIANG (i, vii)	–	–	–	–	–
– Ms. Fang JIANG (i, vii)	–	–	–	–	–
	–	1,801	9	45	1,855

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The remuneration of each director of the Group for the three months ended June 30, 2022 are set out as follows:

	Fees	Wages, salaries and bonuses	Contributions to pension plans	Welfare, medical and other expenses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Executive directors</i>					
– Mr. Lin WAN	–	1,801	9	35	1,845
<i>Non-executive directors</i>					
– Mr. Joseph C. TSAI	–	–	–	–	–
– Ms. Wenhong TONG (i)	–	–	–	–	–
– Mr. Yong ZHANG (ii)	–	–	–	–	–
– Mr. Xuegao HAN	–	–	–	–	–
– Mr. Guojun SHEN	–	–	–	–	–
– Mr. Xin HUANG	–	–	–	–	–
	–	1,801	9	35	1,845

The share-based compensation expenses of Mr. Lin WAN for the years ended March 31, 2021, 2022 and 2023 and the three months ended June 30, 2022 and 2023 were RMB10,939,000, RMB68,607,000, RMB60,284,000, RMB14,093,000 and RMB9,765,000, respectively (Note 2.1(m)). No share-based compensation expenses of other directors were incurred during the Track Record Period.

- (i) These non-executive directors served as senior managements in Alibaba Group and their emoluments were borne and paid by Alibaba Group.
- (ii) Mr. Qunbin WANG resigned from the position of a director in April 2020.
- (iii) Mr. Xin HUANG was appointed as a director in April 2020.
- (iv) Mr. Joseph C. TSAI resigned from the position of a director in July 2022 and was reappointed as a director and chairman of the board in May 2023.
- (v) Mr. Hong XU was appointed as a director in July 2022 and resigned from the position in May 2023.
- (vi) Ms. Wenhong TONG and Mr. Yong ZHANG resigned from the position of directors in May 2023.
- (vii) Mr. Shan DAI, Mr. Fan JIANG and Ms. Fang JIANG were appointed as directors in May 2023.
- (viii) Mr. Zheng LIU was appointed as an executive director in September 2023. Mr. Liu has been served as a senior management of the Group during the Track Record Period and the tables above do not include his remuneration in respect of his services in connection with the management of the affairs of the Group undertakings.
- (ix) Mr. Danny Tsui-Yuen CHIU, Mr. Johnny CHEN and Ms. Junhong CHU are expected to be appointed as independent non-executive directors after the [REDACTED]. During the Track Record Period, they had not been yet appointed and received no directors’ remuneration in the capacity of directors.

(c) Directors’ retirement benefits

None of the directors received or will receive any retirement benefits during the Track Record Period.

(d) Directors’ termination benefits

None of the directors received or will receive any termination benefits during the Track Record Period.

(e) Consideration provided to third parties for making available directors’ services

During the Track Record Period, the Company did not pay consideration to any third parties for making available directors’ services.

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(f) Information about loans, quasi-loans, and other dealings in favor of directors, their controlled bodies, and connected entities

No loans, quasi-loans, and other dealings in favor of directors, their controlled bodies corporate and connected entities at the end of each reporting period or at any time during the Track Record Period.

(g) Directors’ material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group’s business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Track Record Period.

11 Finance costs – net

	Year ended March 31,			Three months ended June 30,	
	2021	2022	2023	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				<i>(Unaudited)</i>	
Finance income					
Interest income from term deposits with initial terms over three months	86,338	32,573	164,205	–	71,474
Interest income from other bank deposits	422,377	277,281	272,743	71,109	100,455
	<u>508,715</u>	<u>309,854</u>	<u>436,948</u>	<u>71,109</u>	<u>171,929</u>
Finance costs					
Return for investor’s investment in consolidated limited partnerships (Note 33)	(684,714)	(715,988)	(765,609)	(170,152)	(182,636)
Interest expenses on bank borrowings	(384,459)	(421,484)	(522,332)	(102,066)	(150,758)
Interest expenses on ABS (Note 33)	(49,531)	(48,148)	–	–	–
Interest expenses on lease liabilities (Note 18)	(35,319)	(48,295)	(47,148)	(10,743)	(11,364)
Interest expenses on borrowings from related parties (Note 40(c))	–	(260)	(12,994)	(897)	(15,306)
Less: borrowing costs capitalized in construction in progress	13,900	20,688	90,367	13,904	37,189
	<u>(1,140,123)</u>	<u>(1,213,487)</u>	<u>(1,257,716)</u>	<u>(269,954)</u>	<u>(322,875)</u>
Finance costs – net	<u>(631,408)</u>	<u>(903,633)</u>	<u>(820,768)</u>	<u>(198,845)</u>	<u>(150,946)</u>

12 Income tax expenses

The income tax expenses of the Group are analyzed as follows:

	Year ended March 31,			Three months ended June 30,	
	2021	2022	2023	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				<i>(Unaudited)</i>	
Current income tax	112,411	168,106	415,209	78,167	77,778
Deferred income tax	(14,490)	50,648	(135,885)	(14,711)	(27,660)
Income tax expenses	<u>97,921</u>	<u>218,754</u>	<u>279,324</u>	<u>63,456</u>	<u>50,118</u>

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(a) Cayman Islands and British Virgin Islands corporate income tax

The Group was not subject to any taxation in the Cayman Islands and the British Virgin Islands during the Track Record Period.

(b) Hong Kong profits tax

The entity incorporated in Hong Kong is subject to Hong Kong profits tax of which the tax rate is 8.25% for assessable profits in the first HKD2 million and 16.5% for any assessable profits in excess.

No provision for Hong Kong profits tax was made as the Group had no estimated assessable profit that was subject to Hong Kong profits tax during the Track Record Period.

(c) PRC corporate income tax (“CIT”)

PRC CIT has been provided for at applicable tax rates under the relevant regulations of the PRC after considering the available preferential tax benefits from refunds and allowances, and on the estimated assessable profit of entities within the Group established in Chinese Mainland. The statutory PRC CIT rate is 25% during the Track Record Period.

Certain subsidiaries of the Group in Chinese Mainland were approved as High and New Technology Enterprise and they were subject to a preferential CIT rate of 15% during the Track Record Period. In addition, certain subsidiaries in Chinese Mainland were subject to Small and Thin-profit Enterprises under the CIT Law, whose preferential income tax rate was 20% during the Track Record Period.

(d) PRC Withholding Tax (“WHT”)

Withholding tax on undistributed dividends

Pursuant to the CIT Law, a 10% withholding tax is levied on dividends declared by companies established in Chinese Mainland to foreign investors effective from January 1, 2008. The withholding tax rate may be lowered to a minimum of 5% if there is a tax arrangement between Chinese Mainland and the jurisdiction of the foreign investors. However, the 5% withholding tax rate does not automatically apply and certain requirements must be satisfied.

Withholding tax on indirect transfers of PRC taxable properties

In addition, if a non-PRC resident enterprise indirectly transfers PRC taxable properties, including equity investments in a PRC tax resident enterprise, and such indirect transfer is deemed as direct transfer for PRC tax purpose, any gains derived from such indirect transfer may be subject to the PRC withholding tax at a rate of up to 10%.

The reconciliation from income tax calculated based on the applicable tax rates and total (loss)/profit presented in the consolidated statements of profit or loss to the income tax expenses as follows:

	Year ended March 31,			Three months ended June 30,	
	2021	2022	2023	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
(Loss)/profit before income tax	(1,917,266)	(2,066,911)	(2,522,067)	(306,362)	337,795
Less: share of results of associates and joint ventures accounted for using the equity method	33,007	(140,701)	(229,236)	(177,056)	8,418
	<u>(1,884,259)</u>	<u>(2,207,612)</u>	<u>(2,751,303)</u>	<u>(483,418)</u>	<u>346,213</u>

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	Year ended March 31,			Three months ended June 30,	
	2021	2022	2023	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Notional tax on (loss)/profit before tax, calculated at the applicable rates in the countries concerned	(342,200)	(451,058)	(870,221)	(138,946)	60,237
Deferred tax assets not recognized for tax losses of current year/period	437,984	424,154	504,196	278,792	264,839
Other temporary differences for which no deferred income tax assets were recognized	355,617	49,134	18,644	20,346	60,347
Utilization of previously unrecognized tax losses and temporary differences	(363,530)	(135,591)	(158,332)	(78,592)	(301,407)
Expenses not deductible/(income not taxable) for income tax purposes, net	281,657	488,229	1,002,476	58,499	64,875
Super deduction for research and development expenses	(271,607)	(245,948)	(325,150)	(89,804)	(92,344)
Withholding tax on capital gains from future disposals of FVPL and associates (Note 22(b))	–	89,834	31,838	13,161	(6,429)
Withholding tax on profit from intra-group equity transfer	–	–	75,873	–	–
Income tax expense	<u>97,921</u>	<u>218,754</u>	<u>279,324</u>	<u>63,456</u>	<u>50,118</u>

13 (Loss)/earnings per share

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to the Company’s equity holders by the weighted average number of ordinary shares in issue during the year/period.

	Year ended March 31,			Three months ended June 30,	
	2021	2022	2023	2022	2023
				<i>(Unaudited)</i>	
(Loss)/profit attributable to owners of the Company (RMB'000)	(1,688,338)	(2,004,307)	(2,324,678)	(338,024)	391,297
Weighted average number of ordinary shares in issue (thousand)	<u>15,573,673</u>	<u>15,700,627</u>	<u>15,848,382</u>	<u>15,817,747</u>	<u>15,864,604</u>
Basic (loss)/earnings per share (expressed in RMB per share)	<u>(0.11)</u>	<u>(0.13)</u>	<u>(0.15)</u>	<u>(0.02)</u>	<u>0.02</u>

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(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has three categories of dilutive potential ordinary shares, namely share options, RSUs and restricted shares. As the Company incurred losses for the years ended March 31, 2021, 2022 and 2023 and the three months ended June 30, 2022, the dilutive potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilution.

	Year ended March 31,			Three months ended June 30,	
	2021	2022	2023	2022	2023
	<i>(Unaudited)</i>				
(Loss)/profit attributable to owners of the Company (RMB'000)	(1,688,338)	(2,004,307)	(2,324,678)	(338,024)	391,297
Weighted average number of ordinary shares in issue – basic (thousand)	15,573,673	15,700,627	15,848,382	15,817,747	15,864,604
Adjustments for share options, RSUs and restricted shares (thousand)	–	–	–	–	203,205
Weighted average number of ordinary shares in issue – diluted (thousand)	15,573,673	15,700,627	15,848,382	15,817,747	16,067,809
Diluted (loss)/earnings per share (expressed in RMB per share)	(0.11)	(0.13)	(0.15)	(0.02)	0.02

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14 Subsidiaries

(a) Subsidiaries of the Company

The Company’s major subsidiaries (including directly and indirectly held and structured entities) during the Track Record Period are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group.

Effective interest held in terms of %

Name of subsidiary	Effective interest held in terms of %				As at the date of this report	Place and date of incorporation/ establishment	Particulars of issued/ registered capital	Principal activities	Note
	As at March 31,		As at June 30,						
	2021	2022	2023	2023					
Subsidiaries directly held:									
Cainiao Smart Logistics Holding Limited	100%	100%	100%	100%	100%	Cayman, September 22, 2015	USD50,000	Investment holding	(ii)
Cainiao Smart Logistics Network (BVI) Limited	100%	100%	100%	100%	100%	The British Virgin Island (“BVI”), May 29, 2015	USD50,000	Investment holding	(ii)
Structured entities:									
Hangzhou Cainiao Logistics Information Technology Co., Ltd. (杭州菜鸟物流信息科技有限公司)	100%	100%	100%	100%	100%	PRC, June 18, 2015	RMB10,000,000	Management consulting	(i), (viii)
Subsidiaries indirectly held:									
Dianwoba Holdings Limited (“Dianwoba”)	100%	100%	100%	100%	100%	Cayman, September 18, 2014	USD50,000	Investment holding	(ii)
Cainiao (Netherlands) B.V.	100%	100%	100%	100%	100%	Netherlands, June 16, 2020	Euro (“EUR”) 3,600,000	Logistic services and solution	(ii)
Cainiao (Belgium) SRL	100%	100%	100%	100%	100%	Belgium, September 9, 2020	EUR1,000,000	Logistic services and solution	(iii)
Ecoscooting Delivery, S.L. (“Ecoscooting”) (Note 36)	–	–	100%	100%	100%	Spain, September 25, 2012	EUR6,920	Logistic services and solution	(iv)
Cainiao Supply Chain US, Inc.	100%	100%	100%	100%	100%	USA, February 5, 2015	RMB1,000,000	Logistic services and solution	(ii)

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Name of subsidiary	Effective interest held in terms of %				As at the date of this report	Place and date of incorporation/ establishment	Particulars of issued/ registered capital	Principal activities	Note
	As at March 31,		As at June 30,						
	2021	2022	2023	2023					
Cainiao Smart Logistics Network (Hong Kong) Limited	100%	100%	100%	100%	100%	Hong Kong, June 17, 2015	HKD390,470,001	Investment holding and logistic services and solution	(v)
Cainiao Supply Chain Hong Kong Co., Limited	100%	100%	100%	100%	100%	Hong Kong, January 13, 2015	HKD1,250,000	Logistic services and solution	(v)
Cainiao Supply Chain Management (RU) Limited Liability Company	100%	100%	100%	100%	100%	Russia, May 4, 2017	Russian Ruble (“RUB”) 381,000,000	Logistic services and solution	(vi)
Ruconnect Limited Liability Company (“Ruconnect”) (Note 41(a)(xiii))	100%	100%	100%	100%	100%	Russia, November 3, 2017	RUB10,000,000	Supply chain management	(vii)
Cainiao Network Technology Co., Ltd. (菜鳥網絡科技有限公司)	100%	100%	100%	100%	100%	PRC, May 16, 2013	RMB10,000,000,000	Investment holding	(viii)
Zhejiang Cainiao Supply Chain Management Co., Ltd. (浙江菜鳥供應鏈管理有限公司)	100%	100%	100%	100%	100%	PRC, July 4, 2012	RMB10,000,000,000	Logistic services and solution	(viii)
Hangzhou Cainiao Supply Chain Management Co., Ltd. (杭州菜鳥供應鏈管理有限公司)	100%	100%	100%	100%	100%	PRC, October 27, 2016	RMB50,000,000	Logistic services and solution	(viii)
Zhejiang Yizhan Network Technology Co., Ltd. (“Yizhan”) (浙江驛棧網絡科技有限公司) (Note 41(a)(xiv), (b)(iv), (c)(ii))	61%	65%	51%	51%	51%	PRC, July 12, 2017	RMB273,633,333	Logistic services and solution	(viii)

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Name of subsidiary	Effective interest held in terms of %					As at the date of this report	Place and date of incorporation/ establishment	Particulars of issued/ registered capital	Principal activities	Note
	As at March 31,		As at June 30,		2023					
	2021	2022	2023	2023						
Hangzhou Xiniao Logistics Technology Co., Ltd. (“Xiniao”) (杭州溪鳥物流科技有限公司) (Note 41(b)(i)(iii), (c)(i))	51%	51%	57%	57%	57%	PRC, April 12, 2018	RMB18,024,000	Logistic services and solution	(viii)	
Hangzhou Cainiao Chengyun Supply Chain Management Co., Ltd. (杭州菜鳥橙運供應鏈管理有限公司)	100%	100%	100%	100%	100%	PRC, March 2, 2017	RMB10,000,000	Logistic services and solution	(viii)	
Zhejiang Camiao Chuancheng Network Technology Co., Ltd. (浙江菜鳥傳橙網絡技術有限公司)	100%	100%	100%	100%	100%	PRC, September 8, 2020	RMB2,500,000,000	Logistic services and solution	(viii)	
Hangzhou Yida Business Management Co., Ltd. (杭州驛建企業管理有限公司)	100%	100%	100%	100%	100%	PRC, December 12, 2018	RMB1,000,000	Logistic services and solution	(viii)	
Hangzhou Xinliu Investment Partnership (Limited Partnership) (杭州新流投資合夥企業(有限合伙)) (Note 4(e))	100%	100%	100%	100%	100%	PRC, April 14, 2017	RMB8,271,555,368	Investment holding	(ix)	
Jicang (Tianjin) Logistic Equity Investment Fund Partnership (Limited Partnership) (吉倉(天津)物流股權投資基金合夥企業(有限合伙)) (Note 4(e))	N/A	N/A	100%	100%	100%	PRC, February 28, 2023	RMB1,800,000,000	Investment holding	(ii)	

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Name of subsidiary	Effective interest held in terms of %					As at the date of this report	Place and date of incorporation/ establishment	Particulars of issued/ registered capital	Principal activities	Note
	As at March 31,		As at June 30,		2023					
	2021	2022	2023	2023						
CainiaoGSUM-CITIC Securities-China Smart Logistic Network Assets Backed Plan (菜鸟中聯-中信證券-中國智能骨幹倉儲資產支持專項計劃) (Note 4(e))	100%	100%	N/A	N/A	N/A	PRC, Mar 20, 2019	RMB1,955,000,000	Investment holding	(x)	
Shenzhen Beiling Technology Logistics Co., Ltd. (“Beiling”) (深圳市北領科技術有限公司)	100%	100%	100%	100%	100%	PRC, May 5, 2016	RMB21,088,435	Logistic services and solution	(viii)	
Zhejiang ALOG Supply Chain Management Co., Ltd. (“Alog”) (浙江心怡供應鏈管理有限公司)	78%	78%	78%	78%	78%	PRC, October 28, 2004	RMB360,000,000	Logistic services and solution	(viii)	
Zhejiang Danniao Logistics Technology Co., Ltd. (“Danniao”) (浙江丹鳥物流科技有限公司) (Note 41(b)(ii))	100%	80%	80%	80%	80%	PRC, August 31, 2009	RMB98,393,819	Logistic services and solution	(viii)	

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- (i) As described in Note 2.1(b), the Company does not have direct or indirect legal ownership in equity of these structured entities or their subsidiaries. Nevertheless, under certain Contractual Arrangements entered into with the structured entities and their registered owners, the Company and its other legally owned subsidiaries have rights to exercise power over the structured entities, receive variable returns from its involvement in the structured entities, and have the ability to affect those returns through its power over these structured entities. As a result, they are presented as structured entities of the Company.
- (ii) No audited financial statements were issued for these companies as they are either newly incorporated or not required to issue audited financial statements under the statutory requirements of their respective places of incorporation.
- (iii) The statutory financial statements for the years ended December 31, 2020, 2021 and 2022 were audited by Mazars Réviseurs d'Entreprises – Bedrijfsrevisoren SRL.
- (iv) The statutory financial statements for the year ended December 31, 2022 were audited by Abalance Auditores SL. No audited financial statements for the years ended December 31, 2020 and 2021 were issued as the subsidiary was not required to issue audited financial statements under the statutory requirement of Spain.
- (v) The statutory financial statements for the years ended December 31, 2020, 2021 and 2022 were audited by Zhonghui Anda CPA Limited.
- (vi) The statutory financial statements for the years ended December 31, 2020, 2021 and 2022 were audited by Marillion Audit LLC.
- (vii) The statutory financial statements for the years ended December 31, 2020, 2021 and 2022 were audited by Mazars Audit LLC.
- (viii) The statutory financial statements for the years ended December 31, 2020, 2021 and 2022 were audited by Zhejiang Yaoxin Certified Public Accountants Co., Ltd.
- (ix) The statutory financial statements for the years ended December 31, 2020, 2021 and 2022 were audited by PricewaterhouseCoopers Zhong Tian LLP.
- (x) The statutory financial statements for the year ended December 31, 2020 were audited by PricewaterhouseCoopers Zhong Tian LLP. No audited financial statements for the years ended December 31, 2021 and 2022 were issued as the subsidiary was liquidated in June 2022 and was not required to issue audited financial statements under the statutory requirement of the PRC.

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(b) Disposal or liquidation of subsidiaries

- (i) In June 2020, the Group entered into a share transfer agreement with Alibaba Hornbill Holding Limited (“Alibaba Hornbill”, a subsidiary of Ali CN), pursuant to which the Group transferred 70% equity interests in Cainiao KLIA Aeropolis Sdn. Bhd. (“KLIA”) to Alibaba Hornbill. The consideration paid by Alibaba Hornbill was RMB240,845,000 and has been settled upon completion of the disposal, and the Group cease to hold any interest in KLIA after then.

The cash inflow from disposal of KLIA amounted to RMB231,653,000, equivalent to the cash consideration of RMB240,845,000 received during the year ended March 31, 2021 deducted by the cash and cash equivalent of RMB9,192,000 on the date of disposal.

- (ii) In August 2020, the Group liquidated its non wholly-owned subsidiary Shenzhen Dachanwan Chuanyun Logistics Network Technology Co., Ltd. (深圳市大籛灣傳雲物聯網技術有限公司, “Shenzhen Dachanwan”). As at the date of liquidation, Shenzhen Dachanwan was owned as to 60% by the Group and as to 40% by the non-controlling shareholder.

Liquidated assets (Cash and cash equivalents of RMB29,773,000) were returned to the shareholders based on share portion, of which RMB11,909,000 were returned to the non-controlling interests.

- (iii) In September 2022, the Group entered into a share transfer agreement with Haining Yangshan Industrial Group Co., Ltd. (“Haining Yangshan”), pursuant to which the Group transferred 100% equity interests in Haining Chuanyun Logistics Network Technology Co., Ltd. (海寧市傳雲物聯網技術有限公司, “Haining Chuanyun”) to Haining Yangshan at a consideration of RMB327,334,000. The consideration has been settled upon completion of the disposal, and the Group cease to hold any interest in Haining Chuanyun after then.

A disposal gain of RMB242,517,000 has been recognized for the excess of consideration over the net assets of Haining Chuanyun amounting to RMB84,817,000 at disposal date.

The cash inflow from disposal of Haining Chuanyun amounted to RMB326,756,000, equivalent to the cash consideration of RMB327,334,000 received during the year ended March 31, 2023 deducted by the cash and cash equivalent of RMB578,000 on the date of disposal.

- (iv) In November 2022, the Group entered into a share transfer agreement with Alibaba EWTP Holding Limited (wholly-owned subsidiary of Alibaba Group, “Alibaba EWTP”), pursuant to which the Group transferred 100% equity interests in Cainiao Shenyang Investment Limited (“Cainiao Shenyang”, which in turn held 51% equity interests in Hong Kong Cingleot Investment Management Limited, a joint venture of the Group) to Alibaba EWTP at a consideration of USD52,155,000 (equivalent to RMB372,998,000).

A disposal gain of RMB44,808,000 has been recognized for the excess of consideration over the net assets of Cainiao Shenyang amounting to RMB325,234,000, minus the transfer of currency transition differences of Cainiao Shenyang to profit or loss amounting to RMB2,956,000 at disposal date.

(c) Investment in subsidiaries

The Company

	As at March 31,			As at June 30,
	2021	2022	2023	2023
	RMB’000	RMB’000	RMB’000	RMB’000
Investments in subsidiaries	35,322,038	34,171,437	36,908,553	38,851,491
Deemed investment arising from share-based payment	2,200,736	3,654,907	5,838,110	6,625,055
	<u>37,522,774</u>	<u>37,826,344</u>	<u>42,746,663</u>	<u>45,476,546</u>

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15 Property, plant and equipment

	Freehold land (i)	Warehouses & buildings	Machinery & equipment	Office & other equipment	Leasehold improvements and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at April 1, 2020							
Cost	–	7,268,301	1,474,851	224,906	440,624	2,682,763	12,091,445
Accumulated depreciation	–	(630,000)	(340,818)	(111,119)	(324,313)	–	(1,406,250)
Net book amount	–	6,638,301	1,134,033	113,787	116,311	2,682,763	10,685,195
Year ended March 31, 2021							
Opening net book amount	–	6,638,301	1,134,033	113,787	116,311	2,682,763	10,685,195
Additions	300,876	72,462	81,064	69,769	90,360	3,395,476	4,010,007
Disposal of a subsidiary	–	–	–	–	–	(341,177)	(341,177)
Disposals	–	–	(49,470)	(16,721)	(9,214)	–	(75,405)
Transfers	–	134,729	134,235	4,533	86,176	(2,029,601)	(1,669,928)
Depreciation (Note 9)	–	(240,860)	(269,083)	(82,155)	(122,838)	–	(714,936)
Currency translation differences	11,285	–	(721)	(30)	(95)	(349)	10,090
Impairment (Note 9)	–	–	(108,590)	–	–	–	(108,590)
Closing net book amount	312,161	6,604,632	921,468	89,183	160,700	3,707,112	11,795,256
As at March 31, 2021							
Cost	312,161	7,310,548	1,475,656	243,808	596,947	3,707,112	13,646,232
Accumulated depreciation	–	(705,916)	(554,188)	(154,625)	(436,247)	–	(1,850,976)
Net book amount	312,161	6,604,632	921,468	89,183	160,700	3,707,112	11,795,256
Year ended March 31, 2022							
Opening net book amount	312,161	6,604,632	921,468	89,183	160,700	3,707,112	11,795,256
Additions	–	200,021	357,993	150,332	195,496	2,915,545	3,819,387
Disposals	–	–	(24,089)	(4,988)	(8,699)	–	(37,776)
Transfers	–	1,131,229	114,278	153	23,177	(2,799,732)	(1,530,895)
Depreciation (Note 9)	–	(239,924)	(294,463)	(70,937)	(138,970)	–	(744,294)
Currency translation differences	(5,442)	–	10,963	2,145	(489)	–	7,177
Closing net book amount	306,719	7,695,958	1,086,150	165,888	231,215	3,822,925	13,308,855
As at March 31, 2022							
Cost	306,719	8,544,857	1,897,188	359,530	730,599	3,822,925	15,661,818
Accumulated depreciation	–	(848,899)	(811,038)	(193,642)	(499,384)	–	(2,352,963)
Net book amount	306,719	7,695,958	1,086,150	165,888	231,215	3,822,925	13,308,855

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	Freehold land (i)	Warehouses & buildings	Machinery & equipment	Office & other equipment	Leasehold improvements and others	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended March 31, 2023							
Opening net book amount	306,719	7,695,958	1,086,150	165,888	231,215	3,822,925	13,308,855
Additions	–	435,176	247,359	180,759	172,843	4,493,421	5,529,558
Business combination (Note 36)	–	–	–	242	–	–	242
Disposal of a subsidiary	–	(97,519)	–	(7)	(141)	–	(97,667)
Disposals	–	–	(40,863)	(3,113)	(9,884)	(26,564)	(80,424)
Transfers	–	2,082,895	443,637	5,886	43,206	(2,807,450)	(231,826)
Depreciation (Note 9)	–	(241,956)	(357,500)	(100,655)	(170,448)	–	(870,559)
Currency translation differences	10,639	1,973	9,969	1,877	(798)	(7,067)	16,593
Impairment (Note 9)	–	(4,825)	(108,465)	(2,417)	–	–	(115,707)
Closing net book amount	<u>317,358</u>	<u>9,871,702</u>	<u>1,280,287</u>	<u>248,460</u>	<u>265,993</u>	<u>5,475,265</u>	<u>17,459,065</u>
As at March 31, 2023							
Cost	317,358	10,935,869	2,480,593	515,000	798,072	5,475,265	20,522,157
Accumulated depreciation	–	(1,059,342)	(1,091,841)	(264,123)	(532,079)	–	(2,947,385)
Accumulated impairment	–	(4,825)	(108,465)	(2,417)	–	–	(115,707)
Net book amount	<u>317,358</u>	<u>9,871,702</u>	<u>1,280,287</u>	<u>248,460</u>	<u>265,993</u>	<u>5,475,265</u>	<u>17,459,065</u>
Three months ended June 30, 2023							
Opening net book amount	317,358	9,871,702	1,280,287	248,460	265,993	5,475,265	17,459,065
Additions	–	206	72,815	48,581	37,099	1,163,989	1,322,690
Disposals	–	–	(2,933)	(1,446)	(5,018)	–	(9,397)
Transfers	(84,026)	443,700	3,697	224	5,075	(565,905)	(197,235)
Depreciation (Note 9)	–	(72,347)	(85,650)	(32,551)	(43,382)	–	(233,930)
Currency translation differences	16,609	9,733	2,797	(1,309)	72	20,733	48,635
Impairment (Note 9)	(29,022)	(46,389)	–	–	–	–	(75,411)
Closing net book amount	<u>220,919</u>	<u>10,206,605</u>	<u>1,271,013</u>	<u>261,959</u>	<u>259,839</u>	<u>6,094,082</u>	<u>18,314,417</u>
As at June 30, 2023							
Cost	249,941	11,412,013	2,381,140	555,862	821,003	6,094,082	21,514,041
Accumulated depreciation	–	(1,153,707)	(1,017,165)	(291,486)	(561,164)	–	(3,023,522)
Accumulated impairment	(29,022)	(51,701)	(92,962)	(2,417)	–	–	(176,102)
Net book amount	<u>220,919</u>	<u>10,206,605</u>	<u>1,271,013</u>	<u>261,959</u>	<u>259,839</u>	<u>6,094,082</u>	<u>18,314,417</u>

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	Freehold land (i)	Warehouses & buildings	Machinery & equipment	Office & other equipment	Leasehold improvements and others	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Unaudited)							
Three months ended June 30, 2022							
Opening net book amount	306,719	7,695,958	1,086,150	165,888	231,215	3,822,925	13,308,855
Additions	–	267,040	82,824	24,841	22,611	1,057,384	1,454,700
Business combination (Note 36)	–	–	–	242	–	–	242
Disposals	–	–	(5,055)	(1,637)	(2,737)	–	(9,429)
Transfers	–	328,272	16,819	1	919	(461,819)	(115,808)
Depreciation (Note 9)	–	(75,853)	(92,802)	(22,220)	(33,606)	–	(224,481)
Currency translation differences	5,836	–	38,760	3,035	4,293	–	51,924
Closing net book amount	312,555	8,215,417	1,126,696	170,150	222,695	4,418,490	14,466,003
As at June 30, 2022							
Cost	312,555	9,124,419	2,031,240	379,536	745,521	4,418,490	17,011,761
Accumulated depreciation	–	(909,002)	(904,544)	(209,386)	(522,826)	–	(2,545,758)
Net book amount	312,555	8,215,417	1,126,696	170,150	222,695	4,418,490	14,466,003

- (i) The Group’s freehold land is situated in Indonesia.
- (ii) As at March 31, 2021, 2022 and 2023 and June 30, 2023, the Group’s warehouses and buildings (included in property, plant and equipment and investment properties) with net book amount of approximately RMB2,854,310,000, RMB4,376,526,000, RMB7,676,347,000 and RMB5,742,595,000 and land use rights with net book amount of approximately RMB1,190,276,000, RMB1,416,882,000, RMB2,092,493,000 and RMB1,991,812,000 had been pledged for the Group’s borrowings of RMB3,037,775,000, RMB3,608,145,000, RMB4,429,765,000 and RMB4,932,808,000 respectively.
- (iii) Depreciation charges were expensed off in the following categories in the consolidated statements of profit or loss:

	Year ended March 31,			Three months ended June 30,	
	2021	2022	2023	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of revenue	649,874	692,565	796,737	205,200	209,211
General and administrative expenses	65,062	51,729	73,822	19,281	24,719
	714,936	744,294	870,559	224,481	233,930

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16 Investment properties

	Investment properties
	<i>RMB'000</i>
As at April 1, 2020	
Cost	1,454,817
Accumulated depreciation	(123,295)
Net book amount	<u>1,331,522</u>
Year ended March 31, 2021	
Opening net book amount	1,331,522
Additions	671,180
Transfers from property, plant and equipment and land use rights	2,168,676
Depreciation (Note 9)	(47,422)
Closing net book amount	<u>4,123,956</u>
As at March 31, 2021	
Cost	4,495,357
Accumulated depreciation	(371,401)
Net book amount	<u>4,123,956</u>
Year ended March 31, 2022	
Opening net book amount	4,123,956
Additions	666,010
Transfers from property, plant and equipment and land use rights	1,868,958
Depreciation (Note 9)	(121,661)
Closing net book amount	<u>6,537,263</u>
As at March 31, 2022	
Cost	7,160,302
Accumulated depreciation	(623,039)
Net book amount	<u>6,537,263</u>
Year ended March 31, 2023	
Opening net book amount	6,537,263
Additions	281,673
Disposal of a subsidiary	(32,396)
Transfers from property, plant and equipment and land use rights	307,634
Depreciation (Note 9)	(165,126)
Impairment (Note 9)	(2,534)
Closing net book amount	<u>6,926,514</u>
As at March 31, 2023	
Cost	7,710,645
Accumulated depreciation	(781,597)
Accumulated impairment	(2,534)
Net book amount	<u>6,926,514</u>
Three months ended June 30, 2023	
Opening net book amount	6,926,514
Additions	33,431
Transfers from property, plant and equipment and land use rights	252,603
Depreciation (Note 9)	(45,267)
Impairment (Note 9)	(25,304)
Closing net book amount	<u>7,141,977</u>

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	Investment properties
	<i>RMB'000</i>
As at June 30, 2023	
Cost	7,977,286
Accumulated depreciation	(807,472)
Accumulated impairment	(27,837)
Net book amount	7,141,977
(Unaudited)	
Three months ended June 30, 2022	
Opening net book amount	6,537,263
Additions	110,419
Transfers from property, plant and equipment and land use rights	160,926
Depreciation (Note 9)	(36,072)
Closing net book amount	6,772,536
As at June 30, 2022	
Cost	7,452,081
Accumulated depreciation	(679,545)
Net book amount	6,772,536

As set out in Note 2.1(f), the Group has applied the cost model for its investment properties.

Certain investment properties were pledged for borrowings, the details are disclosed in Note 15(ii).

During the Track Record Period, all the depreciation charges were expensed off in the cost of revenue.

An independent professional valuer has been engaged to measure the fair value of the investment properties owned by the Group. The valuation included the fair value of the warehouses and buildings and the associated leasehold land use rights which were classified as investment properties. As at March 31, 2021, 2022 and 2023 and June 30, 2023, the total fair value of the investment properties were RMB6,623,143,000, RMB10,649,148,000, RMB11,162,781,000 and RMB11,301,702,000.

The valuation technique and significant unobservable inputs used to estimate the fair value of the investment properties are set forth in the table below. The fair value measurement for investment properties has been categorised as Level 3 fair value based on the inputs to the valuation technique used. There have been no changes in valuation technique during the Track Record Period.

Valuation technique

Income approach by capitalizing the net rental incomes derived from the existing tenancies with due allowance for any reversionary income potential of the properties.

Significant unobservable inputs

- Market rent: The market rent is estimated according to the comparable properties in close proximity. The higher the market rent, the higher the fair value of the properties.
- Yield: The yield is estimated according to the market evidence, valuer's experience and knowledge of market conditions. As at March 31, 2021, 2022 and 2023 and June 30, 2023, the range of adopted yield is from 5.75% – 9.00%.

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17 Right-of-use assets (land use rights)

	Right-of-use assets (land use rights)
	<i>RMB'000</i>
As at April 1, 2020	
Cost	4,323,960
Accumulated amortization	(256,327)
Net book amount	4,067,633
Year ended March 31, 2021	
Opening net book amount	4,067,633
Additions	220,958
Disposal of a subsidiary	(191,523)
Other disposals	(11,218)
Transfers to investment properties	(396,454)
Amortization (Note 9)	(77,698)
Currency translation differences	(3)
Closing net book amount	3,611,695
As at March 31, 2021	
Cost	3,900,947
Accumulated amortization	(289,252)
Net book amount	3,611,695
Year ended March 31, 2022	
Opening net book amount	3,611,695
Additions	1,091,983
Disposals	(55,236)
Transfers to investment properties	(338,063)
Amortization (Note 9)	(83,495)
Currency translation differences	(4,578)
Closing net book amount	4,222,306
As at March 31, 2022	
Cost	4,559,112
Accumulated amortization	(336,806)
Net book amount	4,222,306
Year ended March 31, 2023	
Opening net book amount	4,222,306
Additions	203,821
Disposal of a subsidiary	(25,325)
Transfers to investment properties	(75,808)
Amortization (Note 9)	(96,306)
Currency translation differences	12,724
Impairment (Note 9)	(3,455)
Closing net book amount	4,237,957
As at March 31, 2023	
Cost	4,663,325
Accumulated amortization	(421,913)
Accumulated impairment	(3,455)
Net book amount	4,237,957

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	Right-of-use assets (land use rights)
	<i>RMB’000</i>
Three months ended June 30, 2023	
Opening net book amount	4,237,957
Transfers to investment properties	(55,368)
Amortization (Note 9)	(22,958)
Currency translation differences	12,435
Closing net book amount	4,172,066
As at June 30, 2023	
Cost	4,623,740
Accumulated amortization	(448,145)
Accumulated impairment	(3,529)
Net book amount	4,172,066
(Unaudited)	
Three months ended June 30, 2022	
Opening net book amount	4,222,306
Additions	18,112
Transfers to investment properties	(45,118)
Amortization (Note 9)	(27,098)
Currency translation differences	9,398
Closing net book amount	4,177,600
As at June 30, 2022	
Cost	4,536,361
Accumulated amortization	(358,761)
Net book amount	4,177,600

As at March 31, 2021, 2022 and 2023 and June 30, 2023, the land use rights represent prepaid operating lease payments in respect of lands located in the PRC and Vietnam, on which the Group’s warehouses and buildings were built.

- (i) Certain land use rights were pledged for borrowings, the details are disclosed in Note 15(ii).
- (ii) The amortization of right-of-use assets (land use rights) were expensed off in the following categories in the consolidated statements of profit or loss:

	Year ended March 31,			Three months ended June 30,	
	2021	2022	2023	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
				<i>(Unaudited)</i>	
Cost of revenue	40,573	42,605	53,933	12,626	13,803
General and administrative expenses	37,125	40,890	42,373	14,472	9,155
	77,698	83,495	96,306	27,098	22,958

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18 Lease (excluding land use rights)

The Group leases certain of its offices and warehouses under operating lease arrangements, the consolidated balance sheets includes the following amounts relating to leases (excluding land use rights):

(a) Right-of-use assets

The carrying amounts of the Group’s right-of-use assets and the movements for the years ended March 31, 2021, 2022 and 2023 and the three months ended June 30, 2022 and 2023 are as follows:

	Year ended March 31,			Three months ended June 30,	
	2021	2022	2023	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(Unaudited)	
At the beginning of the year/period	812,145	883,494	975,663	975,663	1,168,936
Additions	791,971	803,268	951,627	351,969	328,988
Transfers to property, plant and equipment	(102,294)	–	–	–	–
Depreciation (Note 9)	(572,081)	(609,855)	(701,227)	(158,834)	(201,106)
Early terminations and modifications	(46,247)	(101,244)	(57,127)	(12,763)	(34,574)
At the end of the year/period	883,494	975,663	1,168,936	1,156,035	1,262,244

(b) Lease liabilities

The carrying amounts of the Group’s lease liabilities as at March 31, 2021, 2022 and 2023 and June 30, 2023 are as follows:

	As at March 31,			As at June 30,
	2021	2022	2023	2023
	RMB’000	RMB’000	RMB’000	RMB’000
Current	388,093	426,501	582,137	649,060
Non-current	520,586	593,444	664,251	695,693
	908,679	1,019,945	1,246,388	1,344,753

The consolidated statements of profit or loss shows the following amounts relating to leases (excluding the amortization of land use rights):

	Year ended March 31,			Three months ended June 30,	
	2021	2022	2023	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(Unaudited)	
Depreciation charge of other right-of-use assets	572,081	609,855	701,227	158,834	201,106
Interest expense	35,319	48,295	47,148	10,743	11,364
Expense relating to short-term leases	407,699	677,830	845,677	198,746	209,257

The total cash out flows for leases (excluding land use rights) during the years ended March 31, 2021, 2022 and 2023 and the three months ended June 30, 2022 and 2023 were RMB1,045,534,000, RMB1,315,319,000, RMB1,542,395,000, RMB351,491,000 and RMB414,045,000 respectively.

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19 Intangible assets

	Developed technology and patents	Software	Customer relationship	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at April 1, 2020					
Cost	1,523,019	252,587	108,500	4,360	1,888,466
Accumulated amortization	(443,433)	(232,993)	(35,357)	(1,671)	(713,454)
Accumulated impairment	(803,131)	–	(71,120)	–	(874,251)
Net book amount	276,455	19,594	2,023	2,689	300,761
Year ended March 31, 2021					
Opening net book amount	276,455	19,594	2,023	2,689	300,761
Additions	–	3,546	–	–	3,546
Disposals	–	(330)	–	–	(330)
Amortization (Note 9)	(73,304)	(8,580)	(1,903)	(155)	(83,942)
Currency translation differences	(1,147)	140	–	(538)	(1,545)
Closing net book amount	202,004	14,370	120	1,996	218,490
As at March 31, 2021					
Cost	1,521,779	255,490	108,500	3,493	1,889,262
Accumulated amortization	(516,644)	(241,120)	(37,260)	(1,497)	(796,521)
Accumulated impairment	(803,131)	–	(71,120)	–	(874,251)
Net book amount	202,004	14,370	120	1,996	218,490
Year ended March 31, 2022					
Opening net book amount	202,004	14,370	120	1,996	218,490
Additions	–	542	–	–	542
Disposals	–	(279)	–	–	(279)
Amortization (Note 9)	(73,337)	(6,976)	(120)	(222)	(80,655)
Currency translation differences	(762)	23	–	(18)	(757)
Closing net book amount	127,905	7,680	–	1,756	137,341
As at March 31, 2022					
Cost	1,521,334	255,431	108,500	3,294	1,888,559
Accumulated amortization	(590,298)	(247,751)	(37,380)	(1,538)	(876,967)
Accumulated impairment	(803,131)	–	(71,120)	–	(874,251)
Net book amount	127,905	7,680	–	1,756	137,341
Year ended March 31, 2023					
Opening net book amount	127,905	7,680	–	1,756	137,341
Additions	–	19	–	9,434	9,453
Amortization (Note 9)	(74,138)	(4,913)	–	(870)	(79,921)
Currency translation differences	1,005	48	–	558	1,611
Closing net book amount	54,772	2,834	–	10,878	68,484
As at March 31, 2023					
Cost	1,522,391	255,385	108,500	13,199	1,899,475
Accumulated amortization	(664,488)	(252,551)	(37,380)	(2,321)	(956,740)
Accumulated impairment	(803,131)	–	(71,120)	–	(874,251)
Net book amount	54,772	2,834	–	10,878	68,484

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	Developed technology and patents	Software	Customer relationship	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Three months ended					
June 30, 2023					
Opening net book amount	54,772	2,834	–	10,878	68,484
Additions	–	9	–	–	9
Amortization (Note 9)	(18,350)	(727)	–	(376)	(19,453)
Currency translation differences	326	(6)	–	211	531
Closing net book amount	36,748	2,110	–	10,713	49,571
As at June 30, 2023					
Cost	1,523,203	255,280	108,500	13,570	1,900,553
Accumulated amortization	(683,324)	(253,170)	(37,380)	(2,857)	(976,731)
Accumulated impairment	(803,131)	–	(71,120)	–	(874,251)
Net book amount	36,748	2,110	–	10,713	49,571
(Unaudited)					
Three months ended June 30, 2022					
Opening net book amount	127,905	7,680	–	1,756	137,341
Additions	–	473	–	–	473
Amortization (Note 9)	(18,395)	(1,498)	–	(120)	(20,013)
Currency translation differences	424	–	–	216	640
Closing net book amount	109,934	6,655	–	1,852	118,441
As at June 30, 2022					
Cost	1,522,050	256,020	108,500	3,615	1,890,185
Accumulated amortization	(608,985)	(249,365)	(37,380)	(1,763)	(897,493)
Accumulated impairment	(803,131)	–	(71,120)	–	(874,251)
Net book amount	109,934	6,655	–	1,852	118,441

The amortisations of intangible assets were expensed off in the following categories in the consolidated statements of profit or loss:

	Year ended March 31,			Three months ended June 30,	
	2021	2022	2023	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Cost of revenue	72,160	74,429	72,188	18,047	18,041
General and administrative expenses	11,782	6,226	7,733	1,966	1,412
	83,942	80,655	79,921	20,013	19,453

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20 Goodwill

	As at March 31,			As at
	2021	2022	2023	June 30,
	RMB’000	RMB’000	RMB’000	2023
Cost	4,661,825	4,661,825	4,753,688	4,758,632
Accumulated impairment	(405,918)	(405,918)	(405,918)	(405,918)
Net book amount	4,255,907	4,255,907	4,347,770	4,352,714

The movement information of goodwill during the Track Record Period is as below:

	Year ended March 31,			Three months ended	
	2021	2022	2023	June 30,	
	RMB’000	RMB’000	RMB’000	2022	2023
				(Unaudited)	
Opening net book amount	4,255,907	4,255,907	4,255,907	4,255,907	4,347,770
Business combination (Note 36)	–	–	84,648	84,648	–
Currency translation differences	–	–	7,215	1	4,944
Closing net book amount	4,255,907	4,255,907	4,347,770	4,340,556	4,352,714

The Group carries out its annual impairment test on goodwill by comparing the recoverable amounts of CGU to the carrying amounts. The recoverable amount of a CGU was determined based on value-in-use calculations. These calculations used pre-tax cash flow projections based on financial budgets approved by management covering a 5-year period with a terminal value related to the future cash flows extrapolated using the estimated growth rates stated below beyond the 5-year period. The Group believes that it is appropriate to cover a 5-year period in its cash flow projections, because it captures the development stage of the Group’s businesses during which the Group expects to experience a high growth rate. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by the Group. The management leveraged their extensive experiences in the industries and provided forecast based on past performance and their expectation of future business plans and market developments.

The Group only has one CGU that is expected to benefit from the synergies of the business combination according to its business operation during the Track Record Period. Impairment review on the goodwill of the Group has been conducted by the management as at March 31, 2021, 2022 and 2023 and June 30, 2023 according to IAS 36 “Impairment of assets”.

The key assumptions used by management in the value-in-use calculations are as follows:

	As at March 31,			As at
	2021	2022	2023	June 30,
				2023
Annual revenue growth rate for 5-year period	30.35%	29.43%	20.34%	16.20%
Terminal revenue growth rate	2.50%	2.50%	2.50%	2.50%
Pre-tax discount rate	13.99%	14.04%	13.46%	13.47%

The expected revenue growth rates used in the goodwill impairment testing are following the business plan approved by the Group. Discount rates reflect market assessments of the time value and the specific risks relating to the industry.

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Based on the result of the goodwill impairment testing, the estimated headroom was approximately RMB43,695,169,000, RMB10,350,832,000, RMB29,936,918,000 and RMB30,711,608,000 as at March 31, 2021, 2022 and 2023 and June 30, 2023, respectively. As the recoverable amount was significantly above the carrying amount, no impairment was identified in respect of the goodwill as at March 31, 2021, 2022 and 2023 and June 30, 2023 respectively.

The Group performs the sensitivity analysis based on the assumptions that revenue growth rate or terminal value or the discount rate have been changed. Had the estimated key assumptions during the forecast period been changed as below, the headroom would be decreased to as below:

	As at March 31,			As at June 30,
	2021	2022	2023	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Annual revenue growth rate decreases by 10%	30,236,985	1,703,048	19,832,539	19,088,773
Terminal revenue growth rate decreases by 10%	42,340,706	9,398,262	28,609,513	29,358,712
Discount rate increases by 10%	34,396,027	4,042,981	20,776,655	21,477,262

Reasonable possible changes in key assumptions would not lead to impairment as at March 31, 2021, 2022 and 2023 and June 30, 2023, respectively.

21 Investments accounted for using the equity method

	As at March 31,			As at June 30,
	2021	2022	2023	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Associates	716,965	4,179,300	4,287,491	4,357,352
Joint ventures	323,901	300,295	–	69,263
	<u>1,040,866</u>	<u>4,479,595</u>	<u>4,287,491</u>	<u>4,426,615</u>

The movements for investments in associates and joint ventures during the Track Record Period are as below:

	Associates	Joint ventures	Total
	RMB'000	RMB'000	RMB'000
As at April 1, 2020	657,042	363,577	1,020,619
Additions	4,000	–	4,000
Share of loss of investments	(19,823)	(13,184)	(33,007)
Share of changes in net assets of associates	38,999	–	38,999
Dilution gains on deemed disposal (i, Note 8)	36,747	–	36,747
Currency translation differences	–	(26,492)	(26,492)
As at March 31, 2021	<u>716,965</u>	<u>323,901</u>	<u>1,040,866</u>
As at April 1, 2021	716,965	323,901	1,040,866
Additions	3,548,978	–	3,548,978
Transfers from prepayments (Note 24)	65,217	–	65,217
Share of profit/(loss) of investments	153,886	(13,185)	140,701
Share of changes in net assets of associates	(4,598)	–	(4,598)
Dividends	(67,500)	–	(67,500)
Transfers to FVPL (ii)	(225,271)	–	(225,271)
Currency translation differences	(8,377)	(10,421)	(18,798)
As at March 31, 2022	<u>4,179,300</u>	<u>300,295</u>	<u>4,479,595</u>

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	<u>Associates</u>	<u>Joint ventures</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at April 1, 2022	4,179,300	300,295	4,479,595
Share of profit/(loss) of investments	241,723	(12,487)	229,236
Share of other comprehensive loss of investments	(5,986)	–	(5,986)
Share of other changes in net assets of associates	13	–	13
Impairment loss (iii)	(229,091)	–	(229,091)
Disposals (Note 14(b))	–	(325,234)	(325,234)
Currency translation differences	101,532	37,426	138,958
As at March 31, 2023	<u>4,287,491</u>	<u>–</u>	<u>4,287,491</u>
As at April 1, 2023	4,287,491	–	4,287,491
Additions	–	66,735	66,735
Share of loss of investments	(8,418)	–	(8,418)
Share of other comprehensive income of investments	250	–	250
Share of other changes in net assets of associates	(18)	–	(18)
Currency translation differences	78,047	2,528	80,575
As at June 30, 2023	<u>4,357,352</u>	<u>69,263</u>	<u>4,426,615</u>
(Unaudited)			
As at April 1, 2022	4,179,300	300,295	4,479,595
Share of profit/(loss) of investments	180,929	(3,873)	177,056
Share of other comprehensive loss of investments	(1,066)	–	(1,066)
Currency translation differences	68,690	16,304	84,994
As at June 30, 2022	<u>4,427,853</u>	<u>312,726</u>	<u>4,740,579</u>

The associates and joint ventures of the Group have been accounted by using the equity method based on the financial information of the associates and joint ventures prepared under the accounting policies consistent with the Group.

The associates and joint ventures are all private companies and there is no quoted market price available for its shares.

- (i) A dilution gain of RMB36,747,000 was recognized due to the capital contribution injected by the new shareholders of one associate of the Group in October 2020 and January 2021. As a result, the equity interests held by the Group was diluted from 18.80% to 17.30%. The associate has been measured as an associate as the Group has significant influence through the board representation and other relevant facts and circumstances, even though the Group’s equity interests in the associate is below 20%.
- (ii) In December 2021, one associate of the Group went through a reorganization, among which certain preferred rights including redemption right were granted to the Group. As a result, the Group ceased the equity accounting and measured the entire interests to its fair value amounting to RMB902,358,000, which became the initial carrying amount for the purposes of subsequently accounting for the entire interests as FVPL (Note 2.1(b)(iv)). A measurement gain has been recognized for the excess of fair value over the carrying amount of the associate in “Other gains/(losses) – net”.
- (iii) Both external and internal sources of information of associates and joint ventures are considered in assessing whether there is any indicator that the investments may be impaired, including but not limited to information about financial position and business performance of the investments, and a significant or prolonged decline in the fair value of an investment below its carrying amount is also objective evidence of impairment. The Group carries out impairment assessment on those investments with impairment indicators, and the respective recoverable amounts of investments are determined with reference to the higher of fair value less costs of disposal and value in use.

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The Group made an impairment provision of approximately RMB229,091,000 against the carrying amounts of one associate of the Group during the year ended March 31, 2023. The impairment losses mainly resulted from revisions of financial and business outlook of the associate and changes in the market environment of the underlying business.

(a) Summarized financial information for associates and joint ventures

The Group has interests in a number of individually immaterial associates and joint ventures that are accounted for using the equity method.

	Year ended March 31,			Three months ended June 30,	
	2021	2022	2023	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial associates and joint ventures	1,040,866	4,479,595	4,287,491	4,740,579	4,426,615
Aggregate amounts of the Group’s share of:					
– (Loss)/profit from operations	(33,007)	140,701	229,236	177,056	(8,418)
– Other comprehensive (loss)/income	–	–	(5,986)	(1,066)	250
Total comprehensive (loss)/income	<u>(33,007)</u>	<u>140,701</u>	<u>223,250</u>	<u>175,990</u>	<u>(8,168)</u>

22 Deferred income taxes

The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheets:

(a) Deferred tax assets

	As at March 31,			As at June 30,
	2021	2022	2023	2023
	RMB'000	RMB'000	RMB'000	RMB'000
The balance comprises temporary differences attributable to:				
Lease liabilities	219,613	202,704	265,565	291,259
Tax losses	97,261	52,478	67,082	54,446
Employee benefits	62,621	62,781	61,755	61,755
Difference resulting from the depreciation methods for property, plant and equipment which is different from tax regulations (“Difference from depreciation”)	17,412	24,311	34,627	35,817
Accrued expenses and others	56,877	71,753	219,743	234,318
Total gross deferred tax assets	<u>453,784</u>	<u>414,027</u>	<u>648,772</u>	<u>677,595</u>
Set-off of deferred tax liabilities pursuant to set-off provisions	(303,427)	(242,554)	(327,616)	(339,718)
Net deferred tax assets	<u>150,357</u>	<u>171,473</u>	<u>321,156</u>	<u>337,877</u>

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	As at March 31,			As at June 30,
	2021	2022	2023	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets:				
– to be recovered after 12 months	341,710	324,747	512,018	525,125
– to be recovered within 12 months	112,074	89,280	136,754	152,470
	<u>453,784</u>	<u>414,027</u>	<u>648,772</u>	<u>677,595</u>

The Group only recognizes deferred tax assets for cumulative tax losses if it is probable that future taxable income will be available to utilize those tax losses. Management will continue to assess the recognition of deferred tax assets in future reporting periods. As at March 31, 2021, 2022 and 2023 and June 30, 2023, the Group did not recognize deferred tax assets of RMB2,299,148,000, RMB2,072,687,000 and RMB2,264,685,000 and RMB1,853,134,000 in respect of cumulative tax losses amounting to RMB9,376,849,000, RMB10,031,119,000 and RMB10,362,434,000 and RMB8,169,870,000. These tax losses will expire from 2023 to 2027, and may extend to 2031 for certain subsidiaries of the Group.

The movement on the gross deferred tax assets is as follows:

	Lease liabilities	Tax losses	Employee benefits	Difference from depreciation	Accrued expenses and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at April 1, 2020	177,401	278,544	63,256	15,128	40,312	574,641
Credited/(charged) to profit or loss	42,212	(181,283)	(635)	2,284	16,565	(120,857)
As at March 31, 2021	<u>219,613</u>	<u>97,261</u>	<u>62,621</u>	<u>17,412</u>	<u>56,877</u>	<u>453,784</u>
As at April 1, 2021	219,613	97,261	62,621	17,412	56,877	453,784
(Charged)/credited to profit or loss	(16,909)	(44,783)	160	6,899	14,876	(39,757)
As at March 31, 2022	<u>202,704</u>	<u>52,478</u>	<u>62,781</u>	<u>24,311</u>	<u>71,753</u>	<u>414,027</u>
As at April 1, 2022	202,704	52,478	62,781	24,311	71,753	414,027
Credited/(charged) to profit or loss	62,861	14,604	(1,026)	10,316	147,990	234,745
As at March 31, 2023	<u>265,565</u>	<u>67,082</u>	<u>61,755</u>	<u>34,627</u>	<u>219,743</u>	<u>648,772</u>
As at April 1, 2023	265,565	67,082	61,755	34,627	219,743	648,772
Credited/(charged) to profit or loss	25,694	(12,636)	–	1,190	14,575	28,823
As at June 30, 2023	<u>291,259</u>	<u>54,446</u>	<u>61,755</u>	<u>35,817</u>	<u>234,318</u>	<u>677,595</u>
(Unaudited) As at April 1, 2022	202,704	52,478	62,781	24,311	71,753	414,027
Credited/(charged) to profit or loss	49,754	15,699	(207)	7,958	9,055	82,259
As at June 30, 2022	<u>252,458</u>	<u>68,177</u>	<u>62,574</u>	<u>32,269</u>	<u>80,808</u>	<u>496,286</u>

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(b) *Deferred tax liabilities*

	As at March 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
The balance comprises temporary differences attributable to:				
Other right-of-use assets	(219,613)	(200,411)	(260,566)	(285,304)
Changes in fair value of financial assets at fair value through profit or loss	(83,815)	(42,143)	(67,050)	(54,414)
Fair value adjustments on assets and liabilities upon business combinations	(49,091)	(31,022)	(12,982)	(8,472)
Withholding tax on capital gains from future disposals of FVPL and associates	–	(89,834)	(122,709)	(114,469)
Total deferred tax liabilities	(352,519)	(363,410)	(463,307)	(462,659)
Set-off of deferred tax assets pursuant to set-off provisions	303,427	242,554	327,616	339,718
Net deferred tax liabilities	(49,092)	(120,856)	(135,691)	(122,941)
Deferred tax liabilities:				
– to be recovered after 12 months	(243,633)	(261,566)	(331,113)	(318,232)
– to be recovered within 12 months	(108,886)	(101,844)	(132,194)	(144,427)
	(352,519)	(363,410)	(463,307)	(462,659)

The Company has undistributed earnings which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognized as the Company is able to control the timing of distributions from subsidiaries and is not expected to distribute these profits in the foreseeable future.

The movement on the gross deferred tax liabilities is as follows:

	Other right-of-use assets	Changes in fair value of FVPL	Business combination	Withholding tax (i)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at April 1, 2020	(177,401)	(85,369)	(225,096)	–	(487,866)
(Charged)/credited to profit or loss	(42,212)	1,554	176,005	–	135,347
As at March 31, 2021	(219,613)	(83,815)	(49,091)	–	(352,519)
As at April 1, 2021	(219,613)	(83,815)	(49,091)	–	(352,519)
Credited/(charged) to profit or loss	19,202	41,672	18,069	(89,834)	(10,891)
As at March 31, 2022	(200,411)	(42,143)	(31,022)	(89,834)	(363,410)
As at April 1, 2022	(200,411)	(42,143)	(31,022)	(89,834)	(363,410)
(Charged)/credited to profit or loss	(60,155)	(24,907)	18,040	(31,838)	(98,860)
Withholding tax paid upon disposal of FVPL	–	–	–	3,372	3,372
Currency translation differences	–	–	–	(4,409)	(4,409)
As at March 31, 2023	(260,566)	(67,050)	(12,982)	(122,709)	(463,307)

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	Other right-of-use assets	Changes in fair value of FVPL	Business combination	Withholding tax (i)	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at April 1, 2023	(260,566)	(67,050)	(12,982)	(122,709)	(463,307)
(Charged)/credited to profit or loss	(24,738)	12,636	4,510	6,429	(1,163)
Withholding tax paid upon disposal of FVPL (Note 24(a))	–	–	–	9,065	9,065
Currency translation differences	–	–	–	(7,254)	(7,254)
As at June 30, 2023	<u>(285,304)</u>	<u>(54,414)</u>	<u>(8,472)</u>	<u>(114,469)</u>	<u>(462,659)</u>
(Unaudited)					
As at April 1, 2022	(200,411)	(42,143)	(31,022)	(89,834)	(363,410)
(Charged)/credited to profit or loss	(46,981)	(11,916)	4,510	(13,161)	(67,548)
Currency translation differences	–	–	–	(4,877)	(4,877)
As at June 30, 2022	<u>(247,392)</u>	<u>(54,059)</u>	<u>(26,512)</u>	<u>(107,872)</u>	<u>(435,835)</u>

- (i) As at March 31, 2022 and 2023 and June 30, 2023, the Group recognized the relevant deferred income tax liabilities of RMB89,834,000 and RMB122,709,000 and RMB114,469,000 respectively on expected capital gains from disposals of certain FVPL and associates in the foreseeable future.

23 Financial instruments by category

	As at March 31,			As at June 30,
	2021	2022	2023	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets as per balance sheets				
Financial assets at fair value through profit or loss (Note 24)	3,212,960	6,752,237	7,659,051	7,869,482
Financial assets at amortized cost:				
– Trade, other receivables and prepayments (excluding prepayments and deductible value- added tax) (Note 25)	4,690,551	6,235,808	8,920,593	9,712,588
– Term deposits (Note 27)	8,491,570	–	6,103,798	3,334,540
– Restricted cash (Note 26)	206,335	116,527	42,174	45,100
– Cash and cash equivalents (Note 26)	11,818,639	10,197,742	8,784,404	15,507,967
	<u>28,420,055</u>	<u>23,302,314</u>	<u>31,510,020</u>	<u>36,469,677</u>

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	As at March 31,			As at June 30,
	2021	2022	2023	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities as per balance sheets				
Financial liabilities designated at fair value through profit or loss (Note 32)	2,478	43,575	23,178	23,326
Financial liabilities at amortized cost:				
– Borrowings (Note 31)	8,914,313	11,301,344	16,002,653	17,380,638
– Long-term payables	–	14,180	19,470	11,515
– Other financial liabilities (Note 33)	8,083,316	7,380,502	7,574,977	7,953,010
– Trade and other payables (excluding employee benefits payables and taxes and surcharges payables) (Note 35)	10,291,346	12,974,508	15,159,765	19,167,326
– Lease liabilities (Note 18)	908,679	1,019,945	1,246,388	1,344,753
	<u>28,200,132</u>	<u>32,734,054</u>	<u>40,026,431</u>	<u>45,880,568</u>

24 Financial assets at fair value through profit or loss

	As at March 31,			As at June 30,
	2021	2022	2023	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Included in current assets				
Prepayments for acquisition of an associate	65,217	–	–	–
Unlisted debt investments (a)	–	–	541,788	–
Derivatives (c)	–	–	453,193	481,526
Structured deposits	–	–	–	300,000
	<u>65,217</u>	<u>–</u>	<u>994,981</u>	<u>781,526</u>
Included in non-current assets				
Unlisted debt investments (a)	1,546,380	5,258,091	5,039,659	5,617,637
Listed equity securities (b)	1,601,363	1,368,661	1,563,733	1,397,978
Derivatives (c)	–	125,485	60,678	72,341
	<u>3,147,743</u>	<u>6,752,237</u>	<u>6,664,070</u>	<u>7,087,956</u>

(a) Unlisted debt investments

The movement of the unlisted debt investments during the Track Record Period are as follows:

	Year ended March 31,			Three months ended June 30,	
	2021	2022	2023	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the year/period	1,375,641	1,546,380	5,258,091	5,258,091	5,581,447
Additions	136,221	2,217,871	554,921	–	–
Transfers from associates (Note 21)	–	902,358	–	–	–
Disposals	–	–	(41,412)	–	(99,720)
Transfers to listed equity securities	–	–	(304,042)	(304,042)	–
Fair value changes (Note 8)	48,195	635,700	(205,168)	227,551	(81,926)
Currency translation differences	(13,677)	(44,218)	319,057	166,871	217,836
At end of the year/period	<u>1,546,380</u>	<u>5,258,091</u>	<u>5,581,447</u>	<u>5,348,471</u>	<u>5,617,637</u>

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The Group made investments in various associates in the form of convertible redeemable preferred shares, ordinary shares with preferential rights and convertible loans. The Group has the right to require and demand the investees to redeem all of the investments held by the Group at guaranteed predetermined amount upon redemption events which are out of control of the investees. Hence these investments are accounted for as debt instruments and are measured as financial assets at fair value through profit or loss.

As at March 31, 2021, 2022 and 2023 and June 30, 2023, the carrying amounts of associates included in FVPL amounted to RMB1,150,309,000, RMB4,348,470,000, RMB4,068,512,000 and RMB4,180,360,000.

For the years ended March 31, 2021 and 2022 and the three months ended June 30, 2022 and 2023, fair value gains recognized in the consolidated statements of profit or loss for the associates included in FVPL amounted to RMB29,857,000, RMB553,963,000, RMB227,685,000 and RMB23,708,000 respectively, whereas fair value losses recognized for the year ended March 31, 2023 amounted to RMB214,818,000.

(b) Listed equity securities

The movement of the listed equity securities during the Track Record Period are as follows:

	Year ended March 31,			Three months ended June 30,	
	2021	2022	2023	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
At beginning of the year/period	1,993,813	1,601,363	1,368,661	1,368,661	1,563,733
Additions	63,646	–	–	–	–
Transfers from unlisted debt investments	–	–	304,042	304,042	–
Disposals	–	–	(88,077)	–	–
Fair value changes (Note 8)	(321,645)	(187,234)	(108,134)	(27,144)	(229,260)
Currency translation differences	(134,451)	(45,468)	87,241	59,588	63,505
At end of the year/period	1,601,363	1,368,661	1,563,733	1,705,147	1,397,978

The fair values of the listed securities are determined based on the closing price quoted in active markets.

(c) Derivatives

	Year ended March 31,			Three months ended June 30,	
	2021	2022	2023	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
At beginning of the year/period	–	–	125,485	125,485	513,871
Additions	–	126,319	–	–	–
Fair value changes (Note 8)	–	–	377,421	–	10,585
Currency translation differences	–	(834)	10,965	6,813	29,411
At end of the year/period	–	125,485	513,871	132,298	553,867

As at March 31, 2022, derivative assets mainly comprised call options granted to the Group by certain investees amounting to RMB125,485,000.

As at March 31, 2023, derivative assets mainly comprised call options granted to the Group by certain investees amounting to RMB174,647,000 and contingent consideration receivables related to acquisition of certain investee amounting to RMB339,224,000.

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Contingent consideration receivables represent the profit guarantee given by the seller of acquiring one associate in October 2021, which the guarantee was for the profit of the investee for year ended December 31, 2022. On the acquisition date, the Group assessed that the fulfillment of profit target was highly probable, and the contingent consideration was immaterial. During the year ended March 31, 2023, the Group recognized fair value gains of RMB339,224,000 in the contingent consideration receivables, as the profit target has not been fulfilled due to the revisions of business and financial outlook of the associate and changes in the market environment of the underlying business.

As at June 30, 2023, derivative assets mainly comprised call options granted to the Group by certain investees amounting to RMB195,313,000 and contingent consideration receivables related to acquisition of certain investee amounting to RMB358,554,000.

25 Trade, other receivables and prepayments

The Group

Included in current assets:

	As at March 31,			As at June 30,
	2021	2022	2023	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables (a)				
– Third parties	965,123	1,326,326	2,470,618	2,968,472
– Related parties (Note 40(d))	2,451,696	3,614,252	4,901,761	5,927,938
Gross trade receivables	3,416,819	4,940,578	7,372,379	8,896,410
Credit loss allowance	(131,256)	(217,849)	(303,586)	(533,311)
	<u>3,285,563</u>	<u>4,722,729</u>	<u>7,068,793</u>	<u>8,363,099</u>
Other receivables (b)				
– Loans to related parties (i, (Note 40(d)))	581,783	590,368	421,675	414,952
– Rental and other deposits	421,590	366,439	354,136	384,353
– Amounts due from related parties (Note 40(d))	67,857	133,537	458,170	113,421
– Others	507,013	532,428	802,492	601,022
Gross other receivables	1,578,243	1,622,772	2,036,473	1,513,748
Credit loss allowance	(361,732)	(381,690)	(464,435)	(468,529)
	<u>1,216,511</u>	<u>1,241,082</u>	<u>1,572,038</u>	<u>1,045,219</u>
Deductible value-added tax	876,661	873,021	702,300	502,997
Prepayments and prepaid expenses	201,077	205,443	587,299	427,772
Prepaid [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	<u>5,579,812</u>	<u>7,042,275</u>	<u>9,930,430</u>	<u>10,340,042</u>

Included in non-current assets:

Other receivables (b)				
– Rental and other deposits	200,881	234,473	221,267	229,937
– Loans to related parties (i, (Note 40(d)))	–	79,746	–	–
– Amounts due from related parties (Note 40(d))	–	–	37,261	37,264
– Others	37,935	61,278	124,734	140,569
Gross other receivables	238,816	375,497	383,262	407,770
Credit loss allowance	(50,339)	(103,500)	(103,500)	(103,500)
	<u>188,477</u>	<u>271,997</u>	<u>279,762</u>	<u>304,270</u>
Prepayments for property, plant and equipment and land use rights	79,163	263,384	79,774	171,115
Other prepayments	2,500	2,262	924	695
	<u>270,140</u>	<u>537,643</u>	<u>360,460</u>	<u>476,080</u>

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As at March 31, 2021, 2022 and 2023 and June 30, 2023, the fair value of the Group's trade and other receivables approximated their carrying amounts.

- (i) As at March 31, 2021, 2022 and 2023 and June 30, 2023, the balances of loans to related parties were mainly repayable within a period of one to five years (included in non-current assets), or within one year (included in current assets), with interest rates ranging from 4.75% – 10.00%, 3.75% – 10.00%, 5.00% – 10.00% and 5.00% – 10.00% per annum.

(a) **Trade receivables**

Movements on the Group's credit loss allowance for trade receivables are as follows:

	Year ended March 31,			Three months ended June 30,	
	2021	2022	2023	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
At the beginning of the year/period	180,787	131,256	217,849	217,849	303,586
Credit loss allowance (reversals)/recognized, net	(35,819)	102,654	191,302	58,262	229,725
Write-offs	(13,712)	(16,061)	(105,565)	–	–
At the end of the year/period	131,256	217,849	303,586	276,111	533,311

The credit terms given to trade customers are determined on an individual basis with normal credit period mainly around 30 to 180 days. The aging analysis of the trade receivables based on invoice date is as follows:

	As at March 31,			As at June 30,
	2021	2022	2023	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	2,320,575	3,885,197	6,436,335	7,557,183
3 to 6 months	433,975	466,804	636,717	1,010,256
6 to 12 months	599,022	439,218	105,068	113,137
Over 12 months	63,247	149,359	194,259	215,834
	3,416,819	4,940,578	7,372,379	8,896,410

The credit loss allowance of trade receivables as at March 31, 2021, 2022 and 2023 and June 30, 2023 were determined as follows:

As at March 31, 2021

For credit allowance measured individually	Gross carrying amount	Expected credit loss rate	Credit loss allowance
	RMB'000		RMB'000
Trade receivables (RMB'000)	14,200	100%	14,200

For credit allowance measured based on credit rating	Gross carrying amount	Expected credit loss rate	Credit loss allowance
	RMB'000		RMB'000
Trade receivables (RMB'000)	2,040,377	0.98%	19,996

For credit allowance measured based on provision matrix	Within 3 months	3 to 6 months	6 to 12 months	Over 12 months	Total
Expected credit loss rate	1.72%	16.60%	48.31%	99.54%	7.13%
Gross carrying amount – trade receivables (RMB'000)	1,120,986	146,277	80,043	14,936	1,362,242
Loss allowance (RMB'000)	19,237	24,286	38,670	14,867	97,060

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As at March 31, 2022

For credit allowance measured individually	Gross carrying amount	Expected credit loss rate	Credit loss allowance
	<i>RMB'000</i>		<i>RMB'000</i>
Trade receivables (RMB'000)	18,300	100%	18,300

For credit allowance measured based on credit rating	Gross carrying amount	Expected credit loss rate	Credit loss allowance
	<i>RMB'000</i>		<i>RMB'000</i>
Trade receivables (RMB'000)	3,112,997	0.98%	30,507

For credit allowance measured based on provision matrix	Within 3 months	3 to 6 months	6 to 12 months	Over 12 months	Total
Expected credit loss rate	1.73%	13.64%	43.10%	81.90%	9.34%
Gross carrying amount – trade receivables (RMB'000)	1,432,185	165,800	132,351	78,945	1,809,281
Loss allowance (RMB'000)	24,739	22,610	57,037	64,656	169,042

As at March 31, 2023

For credit allowance measured individually	Gross carrying amount	Expected credit loss rate	Credit loss allowance
	<i>RMB'000</i>		<i>RMB'000</i>
Trade receivables (RMB'000)	77,821	98.97%	77,017

For credit allowance measured based on credit rating	Gross carrying amount	Expected credit loss rate	Credit loss allowance
	<i>RMB'000</i>		<i>RMB'000</i>
Trade receivables (RMB'000)	3,882,779	0.95%	36,738

For credit allowance measured based on provision matrix	Within 3 months	3 to 6 months	6 to 12 months	Over 12 months	Total
Expected credit loss rate	1.80%	10.96%	40.89%	98.85%	5.56%
Gross carrying amount – trade receivables (RMB'000)	2,945,969	308,156	91,085	66,569	3,411,779
Loss allowance (RMB'000)	53,002	33,785	37,241	65,803	189,831

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As at June 30, 2023

<u>For credit allowance measured individually</u>	<u>Gross carrying amount</u>	<u>Expected credit loss rate</u>	<u>Credit loss allowance</u>
	<i>RMB'000</i>		<i>RMB'000</i>
Trade receivables (RMB'000)	64,763	97.04%	62,847

<u>For credit allowance measured based on provision matrix</u>	<u>Within 3 months</u>	<u>3 to 6 months</u>	<u>6 to 12 months</u>	<u>Over 12 months</u>	<u>Total</u>
Expected credit loss rate	1.89%	10.75%	39.12%	98.28%	5.33%
Gross carrying amount – trade receivables (RMB'000)	7,530,523	1,009,308	113,137	178,679	8,831,647
Loss allowance (RMB'000)	142,083	108,516	44,259	175,606	470,464

(b) *Other receivables*

Movements on the Group’s credit loss allowance for other receivables are as follows:

	<u>Year ended March 31,</u>			<u>Three months ended June 30,</u>	
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(Unaudited)</i>
At the beginning of the year/period	414,838	412,071	485,190	485,190	567,935
Credit loss allowance recognized	34,747	79,269	91,297	55,451	4,094
Write-offs	(37,514)	(6,150)	(8,552)	(323)	–
At the end of the year/period	412,071	485,190	567,935	540,318	572,029

The credit loss allowance of other receivables as at March 31, 2021, 2022 and 2023 and June 30, 2023 were determined as follows:

<u>As at March 31, 2021</u>	<u>Stage 1 12-month ECL</u>	<u>Stage 2 Lifetime ECL</u>	<u>Stage 3 Lifetime ECL</u>	<u>Total</u>
Expected credit loss rate	1.76%	N/A	80.53%	22.68%
Gross carrying amount – other receivables (RMB'000)	1,334,470	–	482,589	1,817,059
Loss allowance (RMB'000)	23,443	–	388,628	412,071

<u>As at March 31, 2022</u>	<u>Stage 1 12-month ECL</u>	<u>Stage 2 Lifetime ECL</u>	<u>Stage 3 Lifetime ECL</u>	<u>Total</u>
Expected credit loss rate	2.86%	N/A	91.55%	24.28%
Gross carrying amount – other receivables (RMB'000)	1,515,680	–	482,589	1,998,269
Loss allowance (RMB'000)	43,401	–	441,789	485,190

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<u>As at March 31, 2023</u>	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Expected credit loss rate	2.20%	N/A	100.00%	23.47%
Gross carrying amount – other receivables (RMB’000)	1,893,420	–	526,315	2,419,735
Loss allowance (RMB’000)	41,620	–	526,315	567,935
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>As at June 30, 2023</u>	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Expected credit loss rate	3.02%	N/A	100.00%	29.77%
Gross carrying amount – other receivables (RMB’000)	1,391,577	–	529,941	1,921,518
Loss allowance (RMB’000)	42,088	–	529,941	572,029
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The Company

	<u>As at March 31,</u>			<u>As at June 30,</u>
	2021	2022	2023	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Loans to subsidiaries	–	670,886	872,967	922,711
Others	6,978	15,346	21,603	22,914
	<u>6,978</u>	<u>686,232</u>	<u>894,570</u>	<u>945,625</u>

26 Cash and balances with banks and financial institutions

(a) Cash and cash equivalents

	<u>As at March 31,</u>			<u>As at June 30,</u>
	2021	2022	2023	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cash on hand and cash at banks	9,461,605	8,297,200	6,857,068	13,360,893
Term deposits with initial terms within three months	1,710,850	1,269,920	1,151,529	1,224,900
Cash held in other financial institutions	646,184	630,622	775,807	922,174
	<u>11,818,639</u>	<u>10,197,742</u>	<u>8,784,404</u>	<u>15,507,967</u>

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Cash and cash equivalents are denominated in the following currencies:

	As at March 31,			As at
	2021	2022	2023	June 30,
	RMB’000	RMB’000	RMB’000	2023
RMB	7,832,624	6,975,572	6,391,760	11,545,786
USD	3,907,018	3,054,186	1,948,838	3,282,877
RUB	21,058	47,293	22,585	26,124
HKD	20,861	6,959	7,951	6,754
EUR	18,770	26,936	306,350	540,459
Others	18,308	86,796	106,920	105,967
	<u>11,818,639</u>	<u>10,197,742</u>	<u>8,784,404</u>	<u>15,507,967</u>

(b) Restricted cash

	As at March 31,			As at
	2021	2022	2023	June 30,
	RMB’000	RMB’000	RMB’000	2023
Guarantee deposits	107,761	98,601	39,036	44,258
Deposits in escrow accounts related to ABS	88,845	9,366	–	–
Others	9,729	8,560	3,138	842
	<u>206,335</u>	<u>116,527</u>	<u>42,174</u>	<u>45,100</u>

The restricted cash are mainly denominated in RMB.

27 Term deposits

	As at March 31,			As at
	2021	2022	2023	June 30,
	RMB’000	RMB’000	RMB’000	2023
USD term deposits	6,891,570	–	6,103,798	3,334,540
RMB term deposits	1,600,000	–	–	–
	<u>8,491,570</u>	<u>–</u>	<u>6,103,798</u>	<u>3,334,540</u>

Term deposits with initial terms of over three months were neither past due nor impaired. As at March 31, 2021 and 2023 and June 30, 2023, the carrying amounts of the term deposits with initial terms of over three months approximated their fair values.

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28 Share capital and share premium

During the Track Record Period, the authorized share capital of the Company comprised 50,000,000,000 ordinary shares with par value of USD0.000001 per share.

Issued and fully paid:

	Number of shares	Par value	Share premium	Total
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At April 1, 2020	15,480,742,948	99	36,774,061	36,774,160
Issuance of shares upon subscription (i)	36,896,847	*	275,000	275,000
Movements of shares related to share options, RSUs and restricted shares	107,375,520	1	592,787	592,788
At March 31, 2021	<u>15,625,015,315</u>	<u>100</u>	<u>37,641,848</u>	<u>37,641,948</u>
At April 1, 2021	15,625,015,315	100	37,641,848	37,641,948
Movements of shares related to share options, RSUs and restricted shares	137,048,671	1	678,258	678,259
At March 31, 2022	<u>15,762,063,986</u>	<u>101</u>	<u>38,320,106</u>	<u>38,320,207</u>
At April 1, 2022	15,762,063,986	101	38,320,106	38,320,207
Movements of shares related to share options, RSUs and restricted shares	102,208,557	1	1,053,350	1,053,351
At March 31, 2023	<u>15,864,272,543</u>	<u>102</u>	<u>39,373,456</u>	<u>39,373,558</u>
At April 1, 2023	15,864,272,543	102	39,373,456	39,373,558
Movements of shares related to share options, RSUs and restricted shares	1,259,075	*	23,064	23,064
At June 30, 2023	<u>15,865,531,618</u>	<u>102</u>	<u>39,396,520</u>	<u>39,396,622</u>
(Unaudited)				
At April 1, 2022	15,762,063,986	101	38,320,106	38,320,207
Movements of shares related to share options, RSUs and restricted shares	81,729,019	*	664,315	664,315
At June 30, 2022	<u>15,843,793,005</u>	<u>101</u>	<u>38,984,421</u>	<u>38,984,522</u>

Notes:

* represents that the amount is less than RMB1,000 for respective period.

(i) On July 3, 2020, the Company issued 36,896,847 new ordinary shares for a cash consideration of USD38,842,000 (equivalent to approximately RMB275,000,000). The issuance resulted in an increase in the nominal value of the share capital and share premium by approximately RMB259 and RMB275,000,000, respectively.

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29 Other reserves

The following table shows a breakdown of the balance sheet line item “Other reserves” and the movements in these reserves during the Track Record Period. A description of the nature and purpose of each reserve is provided in below table:

The Group

	Share- based payments	Capital reserve	Statutory reserve	FVOCI reserve	Currency translation differences	Others	Total other reserves
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at April 1, 2020	1,636,880	96,934	321,211	(19,684)	1,495,482	(18,689)	3,512,134
Profit appropriations to statutory reserve	–	–	131,754	–	–	–	131,754
Acquisitions of additional equity interests in non wholly-owned subsidiaries	–	(1,106,008)	–	–	–	–	(1,106,008)
Dilution of interests in non wholly-owned subsidiaries	–	25,828	–	–	–	–	25,828
Transfer of equity interests of subsidiaries to non-controlling interests	–	9,131	–	–	–	–	9,131
Share of changes in net assets of associates	–	–	–	–	–	38,999	38,999
Employee share awards schemes:							
– Share-based payments related to the awards granted by the Group	691,516	–	–	–	–	–	691,516
– Share-based payments related to the awards granted by Alibaba Group	157,532	–	–	–	–	–	157,532
– Issuance of shares, including vesting of RSUs and exercise of share options and other share movements	(412,289)	–	–	–	–	–	(412,289)
Currency translation differences	–	–	–	–	(1,651,581)	–	(1,651,581)
Others	–	10,980	–	–	–	–	10,980
As at March 31, 2021	2,073,639	(963,135)	452,965	(19,684)	(156,099)	20,310	1,407,996

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	<u>Share-based payments</u>	<u>Capital reserve</u>	<u>Statutory reserve</u>	<u>FVOCI reserve</u>	<u>Currency translation differences</u>	<u>Others</u>	<u>Total other reserves</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at April 1, 2021	2,073,639	(963,135)	452,965	(19,684)	(156,099)	20,310	1,407,996
Profit appropriations							
to statutory reserve	–	–	119,842	–	–	–	119,842
Acquisitions of additional equity interests in non wholly-owned subsidiaries	–	(873,652)	–	–	–	–	(873,652)
Changes in interests in non wholly-owned subsidiaries	–	65,837	–	–	–	–	65,837
Share of changes in net assets of associates	–	–	–	–	–	(4,598)	(4,598)
Employee share awards schemes:							
– Share-based payments related to the awards granted by the Group	1,755,560	–	–	–	–	–	1,755,560
– Share-based payments related to the awards granted by Alibaba Group	166,773	–	–	–	–	–	166,773
– Issuance of shares, including vesting of RSUs and exercise of share options and other share movements	(394,757)	–	–	–	–	–	(394,757)
Currency translation differences	–	–	–	–	(582,864)	–	(582,864)
Others	–	–	–	–	–	(39,149)	(39,149)
As at March 31, 2022	<u>3,601,215</u>	<u>(1,770,950)</u>	<u>572,807</u>	<u>(19,684)</u>	<u>(738,963)</u>	<u>(23,437)</u>	<u>1,620,988</u>

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	Share- based payments	Capital reserve	Statutory reserve	FVOCI reserve	Currency translation differences	Others	Total other reserves
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at April 1, 2022	3,601,215	(1,770,950)	572,807	(19,684)	(738,963)	(23,437)	1,620,988
Profit appropriations							
to statutory reserve	–	–	285,524	–	–	–	285,524
Dilution of interests in non wholly-owned subsidiaries	–	833,525	–	–	–	–	833,525
Transfer of equity interests of subsidiaries to non-controlling interests	–	1,722,013	–	–	–	–	1,722,013
Share of other comprehensive loss of associates	–	–	–	–	–	(5,986)	(5,986)
Share of other changes in net assets of associates	–	–	–	–	–	13	13
Employee share awards schemes:							
– Share-based payments related to the awards granted by the Group (i)	2,067,350	(160,218)	–	–	–	–	1,907,132
– Share-based payments related to the awards granted by Alibaba Group	121,585	–	–	–	–	–	121,585
– Issuance of shares, including vesting of RSUs and exercise of share options and other share movements	(901,252)	–	–	–	–	–	(901,252)
Transfer of currency translation differences to profit or loss upon disposal of subsidiary	–	–	–	–	2,956	–	2,956
Currency translation differences	–	–	–	–	1,317,645	–	1,317,645
As at March 31, 2023	4,888,898	624,370	858,331	(19,684)	581,638	(29,410)	6,904,143

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	Share-based payments	Capital reserve	Statutory reserve	FVOCI reserve	Currency translation differences	Others	Total other reserves
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at April 1, 2023	4,888,898	624,370	858,331	(19,684)	581,638	(29,410)	6,904,143
Share of other comprehensive income of associates	–	–	–	–	–	250	250
Share of other changes in net assets of associates	–	–	–	–	–	(18)	(18)
Employee share awards schemes:							
– Share-based payments related to the awards granted by the Group (i)	303,054	(22,140)	–	–	–	–	280,914
– Share-based payments related to the awards granted by Alibaba Group	20,763	–	–	–	–	–	20,763
– Issuance of shares, including vesting of RSUs and exercise of share options and other share movements	(23,064)	–	–	–	–	–	(23,064)
Currency translation differences	–	–	–	–	874,901	–	874,901
As at June 30, 2023	<u>5,189,651</u>	<u>602,230</u>	<u>858,331</u>	<u>(19,684)</u>	<u>1,456,539</u>	<u>(29,178)</u>	<u>8,057,889</u>

	Share-based payments	Capital reserve	Statutory reserve	FVOCI reserve	Currency translation differences	Others	Total other reserves
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Unaudited) As at April 1, 2022	3,601,215	(1,770,950)	572,807	(19,684)	(738,963)	(23,437)	1,620,988
Share of other comprehensive loss of associates	–	–	–	–	–	(1,066)	(1,066)
Employee share awards schemes:							
– Share-based payments related to the awards granted by the Group (i)	317,224	(34,462)	–	–	–	–	282,762
– Share-based payments related to the awards granted by Alibaba Group	26,187	–	–	–	–	–	26,187
– Issuance of shares, including vesting of RSUs and exercise of share options and other share movements	(664,315)	–	–	–	–	–	(664,315)
Currency translation differences	–	–	–	–	764,041	–	764,041
As at June 30, 2022	<u>3,280,311</u>	<u>(1,805,412)</u>	<u>572,807</u>	<u>(19,684)</u>	<u>25,078</u>	<u>(24,503)</u>	<u>2,028,597</u>

(i) The movement in capital reserve represents the deemed distribution to Alibaba Group as a result of certain employees who were granted share options and RSUs of the Company transferring to Alibaba Group.

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	Share-based payments	Capital reserve	Currency translation differences	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at April 1, 2020	1,071,108	–	2,389,740	3,460,848
Currency translation differences	–	–	(3,004,878)	(3,004,878)
Employee share awards schemes:				
– Share-based payments related to the awards granted by the Company	691,516	–	–	691,516
– Issuance of shares, including vesting of RSUs and exercise of share options and other share movements	(412,289)	–	–	(412,289)
As at March 31, 2021	<u>1,350,335</u>	<u>–</u>	<u>(615,138)</u>	<u>735,197</u>
As at April 1, 2021	1,350,335	–	(615,138)	735,197
Currency translation differences	–	–	(1,252,904)	(1,252,904)
Employee share awards schemes:				
– Share-based payments related to the awards granted by the Company	1,835,287	–	–	1,835,287
– Issuance of shares, including vesting of RSUs and exercise of share options and other share movements	(394,757)	–	–	(394,757)
As at March 31, 2022	<u>2,790,865</u>	<u>–</u>	<u>(1,868,042)</u>	<u>922,823</u>
As at April 1, 2022	2,790,865	–	(1,868,042)	922,823
Currency translation differences	–	–	3,076,864	3,076,864
Employee share awards schemes:				
– Share-based payments related to the awards granted by the Company	2,184,218	(160,218)	–	2,024,000
– Issuance of shares, including vesting of RSUs and exercise of share options and other share movements	(901,252)	–	–	(901,252)
As at March 31, 2023	<u>4,073,831</u>	<u>(160,218)</u>	<u>1,208,822</u>	<u>5,122,435</u>
As at April 1, 2023	4,073,831	(160,218)	1,208,822	5,122,435
Currency translation differences	–	–	2,496,185	2,496,185
Employee share awards schemes:				
– Share-based payments related to the awards granted by the Company	324,480	(22,140)	–	302,340
– Issuance of shares, including vesting of RSUs and exercise of share options and other share movements	(23,064)	–	–	(23,064)
As at June 30, 2023	<u>4,375,247</u>	<u>(182,358)</u>	<u>3,705,007</u>	<u>7,897,896</u>

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	Share-based payments	Capital reserve	Currency translation differences	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
(Unaudited)				
As at April 1, 2022	2,790,865	–	(1,868,042)	922,823
Currency translation differences	–	–	2,094,323	2,094,323
Employee share awards schemes:				
– Share-based payments related to the awards granted by the Company	330,556	(34,462)	–	296,094
– Issuance of shares, including vesting of RSUs and exercise of share options and other share movements	(664,315)	–	–	(664,315)
As at June 30, 2022	<u>2,457,106</u>	<u>(34,462)</u>	<u>226,281</u>	<u>2,648,925</u>

30 Share-based payments

On December 30, 2015, the board of directors of the Company approved the establishment of the Company’s 2015 Equity Incentive Plan (“2015 Plan”), an equity-settled share-based compensation plan with the purpose of attracting and retaining certain employees and directors. The 2015 Plan is valid and effective for 10 years from the date of approval by the board of directors. The Group has reserved 1,000,000,000 ordinary shares under the 2015 Plan, and permits the awards of share options, RSUs and restricted shares of the Company’s Ordinary Shares.

On February 29, 2016, the board of directors of the Company approved the amendments to the 2015 Plan, pursuant to which, effective from the approval of the amendments, the type of shares which are subject to awards granted hereafter is substituted to Class A ordinaries shares. Class A Ordinary Shares have the same economic rights but limited voting rights as Ordinary Shares of the Company. The voting rights were irrevocably authorized by the grantees to the person the board directed to excise.

On October 31, 2018, the board of directors of the Company approved the establishment of the Company’s 2018 Equity Incentive Plan (“2018 Plan”), which is also valid and effective for 10 years. No awards under 2015 Plan may be granted after the approval of 2018 Plan. The Group has reserved 2,135,000,000 ordinary shares under the 2018 Plan, and permits the awards of share options, RSUs and restricted shares of the Company’s Class B Ordinary Shares. Class B Ordinary Shares have the same economic rights but no voting rights as Ordinary Shares of the Company.

(a) Share options

Share options granted typically expire in 10 years from the respective grant dates. The share options have graded vesting terms, and vest in tranches from the grant date over the vesting period, on condition that employees remain in service without any performance requirements.

The share options may be exercised at any time after they have vested subject to the terms of the award agreement and are exercisable for a maximum period of 10 years after the date of grant.

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Movements in the number of share options granted and their related weighted average exercise prices are as follows:

	Number of share options	Weighted average exercise price per share option
	<i>(thousand)</i>	<i>USD</i>
Outstanding as at April 1, 2020	563,467	0.33
Granted during the year	278,387	0.52
Exercised during the year	(116,598)	0.23
Forfeited during the year	(53,482)	0.44
Outstanding as at March 31, 2021	<u>671,774</u>	0.42
Vested and exercisable at March 31, 2021	<u>133,501</u>	0.29
Outstanding as at April 1, 2021	671,774	0.42
Granted during the year	50,490	1.15
Exercised during the year	(139,081)	0.32
Forfeited during the year	(39,087)	0.52
Outstanding as at March 31, 2022	<u>544,096</u>	0.51
Vested and exercisable at March 31, 2022	<u>179,448</u>	0.38
Outstanding as at April 1, 2022	544,096	0.51
Granted during the year	–	N/A
Exercised during the year	(57,602)	0.41
Forfeited during the year	(29,040)	0.55
Outstanding as at March 31, 2023	<u>457,454</u>	0.52
Vested and exercisable at March 31, 2023	<u>284,761</u>	0.45
Outstanding as at April 1, 2023	457,454	0.52
Granted during the period	–	N/A
Exercised during the period	–	N/A
Forfeited during the period	(5,853)	0.66
Outstanding as at June 30, 2023	<u>451,601</u>	0.52
Vested and exercisable at June 30, 2023	<u>353,680</u>	0.48

The weighted average remaining contractual life of outstanding share options was 4.27 years, 7.54 years, 6.63 years and 6.36 years as at March 31, 2021, 2022 and 2023 and June 30, 2023.

Fair value of share options

The Group had used Black-Scholes model to determine the fair value of the share options as at the grant date. Key assumptions are set as below:

	Year ended March 31,			Three months ended June 30,	
	2021	2022	2023	2022	2023
	<i>(Unaudited)</i>				
Exercise price (USD)	0.45-0.53	1.07-2.13	N/A	N/A	N/A
Expected volatility	28%-33%	32%-35%	N/A	N/A	N/A
Expected term (years)	2.87-4.87	4.25-4.38	N/A	N/A	N/A
Risk-free interest rate	0.88%- 1.29%	0.93%- 3.69%	N/A	N/A	N/A

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(b) RSUs

The Company also grants RSUs to the Group’s employees and directors. The RSUs awarded vest in tranches from the grant date over a certain service period, on condition that employees remain in service without any performance requirements. Once the vesting conditions underlying the respective RSUs are met, the RSUs are considered duly and validly issued to the holder, and free of restrictions on transfer.

Movement in the number of RSUs granted and the respective weighted average grant date fair value are as follows:

	Number of RSUs	Weighted average grant date fair value per RSU
	<i>(thousand)</i>	<i>USD</i>
Outstanding as at April 1, 2020 and March 31, 2021	–	N/A
Outstanding as at April 1, 2021	–	N/A
Granted during the year	234,589	2.15
Forfeited during the year	(11,443)	2.15
Outstanding as at March 31, 2022	223,146	2.15
Outstanding as at April 1, 2022	223,146	2.15
Granted during the year	236,435	1.50
Vested during the year	(50,617)	2.15
Forfeited during the year	(28,239)	1.89
Outstanding as at March 31, 2023	380,725	1.77
Outstanding as at April 1, 2023	380,725	1.77
Granted during the period	–	N/A
Vested during the period	(1,658)	1.72
Forfeited during the period	(5,639)	1.81
Outstanding as at June 30, 2023	373,428	1.77

The fair value of each RSU at the grant dates is determined by reference to the fair value of the underlying ordinary shares on the date of grant.

Certain employees who were granted share options and RSUs of the Company transferred to Alibaba Group. The amount of total fair value of the equity instruments to be amortized during the remaining vesting period after transfer were debited to the equity as a deemed distribution to Alibaba Group.

(c) Restricted shares

The Company also grants the Group’s employees and directors restricted shares, which subject to restrictions on transfer, termination and such other limitations set forth in the plans. The relevant portion of restricted shares shall vest on the relevant vesting date, which is determined by the board of directors.

Movements in the number of restricted shares for the years ended March 31, 2021, 2022 and 2023 and the three months ended June 30, 2023 are as follows:

	Number of restricted shares			
	Year ended March 31,			Three months ended June 30,
	2021	2022	2023	2023
	<i>(in thousand shares)</i>			
At beginning of the year/period	15,896	8,688	4,999	1,739
Granted	4,753	330	–	–
Forfeited	(2,809)	(472)	(671)	(10)
Vested	(9,152)	(3,547)	(2,589)	(1,147)
At end of the year/period	8,688	4,999	1,739	582

The fair value of the restricted shares was calculated based on the market price of the Company’s shares at the respective grant date.

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(d) Share-based payments plans of Alibaba Group

Alibaba Group operate a number of share-based payments plans (including share options and RSUs) covering certain employees of the Group. For the years ended March 31, 2021, 2022 and 2023 and the three months ended June 30, 2022 and 2023, the Group recognized total expenses of RMB157,532,000, RMB166,773,000, RMB121,585,000, RMB26,187,000 and RMB20,763,000 in respect of the share-based payments plans of Alibaba Group.

(e) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognized during the years as part of employee benefit expenses were as follows:

	Year ended March 31,			Three months ended June 30,	
	2021	2022	2023	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Share options granted by the Company under the plans	660,618	594,678	346,144	82,824	45,951
RSUs granted by the Company under the plans	–	1,227,562	1,677,516	212,212	259,277
Restricted shares granted by the Company under the plans	30,898	13,047	340	1,058	(2,888)
Share-based payments plans of Alibaba Group	157,532	166,773	121,585	26,187	20,763
	<u>849,048</u>	<u>2,002,060</u>	<u>2,145,585</u>	<u>322,281</u>	<u>323,103</u>

31 Borrowings

	As at March 31,						As at June 30,	
	2021		2022		2023		2023	
	Original amount	Amount	Original amount	Amount	Original amount	Amount	Original amount	Amount
	'000	RMB'000	'000	RMB'000	'000	RMB'000	'000	RMB'000
Include in non-current liabilities:								
<i>Secured</i>								
RMB bank loans	5,890,411	5,890,411	6,862,274	6,862,274	13,685,113	13,685,113	14,861,770	14,861,770
IDR bank loans	–	–	–	–	779,049,166	356,703	1,045,993,993	503,994
		<u>5,890,411</u>		<u>6,862,274</u>		<u>14,041,816</u>		<u>15,365,764</u>
Include in current liabilities:								
<i>Secured</i>								
RMB bank loans	3,001,386	3,001,386	4,429,088	4,429,088	1,934,732	1,934,732	1,971,009	1,971,009
IDR bank loans	–	–	–	–	–	–	36,031,447	17,361
RMB interest payables	22,516	22,516	9,982	9,982	22,205	22,205	21,105	21,105
IDR interest payables	–	–	–	–	8,518,012	3,900	11,206,145	5,399
		<u>3,023,902</u>		<u>4,439,070</u>		<u>1,960,837</u>		<u>2,014,874</u>

(i) As at March 31, 2021, 2022 and 2023 and June 30, 2023, the effective interest rates for bank borrowings were 2.90%-5.29%, 2.45%-5.24%, 2.10%-9.14% and 2.10%-9.11% respectively. For the years ended March 31, 2021, 2022 and 2023 and the three months ended June 30, 2023, the weighted average effective interest rate were 3.92%, 3.86%, 3.92% and 3.86% respectively.

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32 Financial liabilities designated at fair value through profit or loss

	As at March 31,			As at
	2021	2022	2023	June 30,
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	2023
				<i>RMB’000</i>
Included in current liabilities:				
Contingent consideration payables (i)	–	20,589	20,589	20,589
Included in non-current liabilities:				
Preferred shares of one subsidiary of the Group	2,478	2,397	2,589	2,737
Contingent consideration payables (i)	–	20,589	–	–
	<u>2,478</u>	<u>22,986</u>	<u>2,589</u>	<u>2,737</u>

(i) The contingent consideration payables is related to the acquisition of a FVPL investee.

33 Other financial liabilities

	As at March 31,			As at
	2021	2022	2023	June 30,
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	2023
				<i>RMB’000</i>
Include in non-current liabilities:				
Investor’s investment in consolidated limited partnerships (i)	6,570,331	7,026,390	7,255,457	7,594,832
Include in current liabilities:				
Investor’s investment in consolidated limited partnerships (i)	280,778	354,112	319,520	358,178
ABS (ii)	1,232,207	–	–	–
	<u>1,512,985</u>	<u>354,112</u>	<u>319,520</u>	<u>358,178</u>
	<u>8,083,316</u>	<u>7,380,502</u>	<u>7,574,977</u>	<u>7,953,010</u>

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The movement during the years ended March 31, 2021, 2022 and 2023 and the three months ended June 30, 2022 and 2023 is disclosed as follows:

	Investor’s investment (i)	ABS (ii)	Put option liabilities (iii)	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As at April 1, 2020	6,436,743	1,228,166	730,640	8,395,549
Recognized in finance costs	684,714	49,531	–	734,245
Redemption	–	–	(730,640)	(730,640)
Dividends paid	(270,348)	–	–	(270,348)
Interests paid	–	(45,490)	–	(45,490)
As at March 31, 2021	<u>6,851,109</u>	<u>1,232,207</u>	<u>–</u>	<u>8,083,316</u>
As at April 1, 2021	6,851,109	1,232,207	–	8,083,316
Addition	94,183	–	–	94,183
Recognized in finance cost	715,988	48,148	–	764,136
Redemption	–	(1,220,000)	–	(1,220,000)
Dividends paid	(280,778)	–	–	(280,778)
Interests paid	–	(60,355)	–	(60,355)
As at March 31, 2022	<u>7,380,502</u>	<u>–</u>	<u>–</u>	<u>7,380,502</u>
As at April 1, 2022	7,380,502	–	–	7,380,502
Recognized in finance costs	765,609	–	–	765,609
Redemption	(217,022)	–	–	(217,022)
Dividends paid	(354,112)	–	–	(354,112)
As at March 31, 2023	<u>7,574,977</u>	<u>–</u>	<u>–</u>	<u>7,574,977</u>
As at April 1, 2023	7,574,977	–	–	7,574,977
Addition	514,242	–	–	514,242
Recognized in finance costs	182,636	–	–	182,636
Dividends paid	(318,845)	–	–	(318,845)
As at June 30, 2023	<u>7,953,010</u>	<u>–</u>	<u>–</u>	<u>7,953,010</u>
(Unaudited)				
As at April 1, 2022	7,380,502	–	–	7,380,502
Recognized in finance costs	170,152	–	–	170,152
Dividends paid	(290,278)	–	–	(290,278)
As at June 30, 2022	<u>7,260,376</u>	<u>–</u>	<u>–</u>	<u>7,260,376</u>

- (i) In April 2017, the Group and China Life Insurance Company Ltd. (“China Life Insurance”) invested in Hangzhou Xinliu Investment Partnership (Limited Partnership) (“Xinliu”). Xinliu has then acquired certain subsidiaries with warehouse assets from the Group to form a limited partnership fund. Xinliu is obliged to distribute the returns from the underlying investments to China Life Insurance within a specific time period of 18 years with maximum period up to 20 years under certain conditions.

In February 2022, the Group and China Life Insurance further invested in another partnership fund, namely Jicang (Tianjin) Logistic Equity Investment Fund Partnership (Limited Partnership) (“Jicang”). Jicang is also obliged to distribute the returns from the underlying investments to China Life Insurance within a specific time period of 10 years with maximum period up to 14 years under certain conditions.

The investments from China Life Insurance in Xiuliu and Jicang have been accounted for as financial liabilities of the Group.

- (ii) The Group securitised certain warehouses and issued RMB1,220,000,000 ABS to several investors. These ABS bore interests at 3.58% – 4.45% for the years ended March 31, 2021 and 2022 and were fully repaid during the year ended March 31, 2022.

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- (iii) It represents the redemption liabilities arising from the put option arrangement with Shenzhen Yuehai Global Supply Chain Co., Ltd. (“Yue Hai”), non-controlling shareholder of an acquired subsidiary, namely Beiling. Pursuant to the agreement, Yue Hai could at its sole discretion to request the Group to repurchase all its shares in Beiling at RMB730,640,000 within 5 years from the acquisition date.

During the year ended March 31, 2021, Yue Hai exercised the put option and the liabilities were fully repaid by the Group.

34 Deferred revenue

	As at March 31,			As at June 30,
	2021	2022	2023	2023
	RMB’000	RMB’000	RMB’000	RMB’000
Government grants (i)	896,919	884,791	882,602	878,388

- (i) The Group received government grants for subsidizing the Group’s purchases of non-current assets. These government grants were recorded as deferred revenue and credited to profit or loss on a straight-line basis over the useful lives of the related assets.

35 Trade and other payables

	As at March 31,			As at June 30,
	2021	2022	2023	2023
	RMB’000	RMB’000	RMB’000	RMB’000
Trade payables (a)				
– Related parties (Note 40(d))	2,652,248	3,442,388	4,082,361	4,008,874
– Third parties	4,081,930	5,236,120	5,304,939	6,655,976
	6,734,178	8,678,508	9,387,300	10,664,850
Other payables				
– Employee benefits payables	1,281,063	1,617,722	1,631,132	807,624
– Construction payables	1,150,445	1,395,445	1,643,660	1,948,876
– Other amounts due to related parties (Note 40(d))	940,630	1,202,526	1,439,419	1,374,405
– Amounts collected on behalf of third parties	460,657	607,794	719,913	866,818
– Deposits	209,202	327,578	437,753	441,511
– Taxes and surcharges payables	125,881	142,542	182,304	183,567
– Loans from related parties (Note 40(d))	–	100,276	830,367	2,941,862
– Accrued [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
– Others	796,234	662,381	701,353	916,216
	4,964,112	6,056,264	7,585,901	9,493,667
	11,698,290	14,734,772	16,973,201	20,158,517

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The carrying amounts of trade and other payables are considered to be approximated to their fair values, due to their short-term nature.

- (a) As at March 31, 2021, 2022 and 2023 and June 30, 2023 the carrying amounts of trade payables were primarily denominated in RMB. The aging analysis of the trade payables based on invoice date are as follows:

	As at March 31,			As at June 30,
	2021	2022	2023	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Up to 6 months	6,600,177	8,465,004	9,056,775	10,412,806
6 months to 1 year	21,414	115,226	142,115	81,364
1 to 2 years	111,447	17,279	150,933	93,807
2 to 3 years	905	80,040	8,767	44,825
Over 3 years	235	959	28,710	32,048
	<u>6,734,178</u>	<u>8,678,508</u>	<u>9,387,300</u>	<u>10,664,850</u>

36 Business combination

Ecoscooting provides delivery and express services in Europe. In June 2022, the Group entered into a series of agreements with Ecoscooting and its shareholders to purchase 100% of the equity interests of Ecoscooting, with total consideration of EUR12,939,000 (equivalent to RMB85,855,000).

	<i>RMB’000</i>
Total purchase consideration	<u>85,855</u>
Recognized amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	242
Trade, other receivables and prepayments	7,777
Cash and cash equivalents	3,213
Other payables	(10,025)
Total identifiable net assets	<u>1,207</u>
Goodwill	<u>84,648</u>
	<u>85,855</u>

The post-acquisition revenue and net loss contributed by Ecoscooting were not material to the Group for the year ended March 31, 2023. If the acquisition had occurred on April 1, 2022, consolidated pro-forma revenue and loss for the year ended March 31, 2023 would have been RMB77,806,605,000 and RMB2,801,237,000 respectively.

These amounts have been calculated using the subsidiary’s results and adjusting them for differences in the accounting policies between the group and the subsidiary.

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37 Cash flow information

(a) Cash generated from/(used in) operations

	Year ended March 31,			Three months ended June 30,	
	2021	2022	2023	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i>
(Loss)/profit before income tax	(1,917,266)	(2,066,911)	(2,522,067)	(306,362)	337,795
Adjustments for					
Depreciation of property, plant and equipment, investment properties and other right-of-use assets	1,334,439	1,475,810	1,736,912	419,387	480,303
Amortization of land use rights	77,698	83,495	96,306	27,098	22,958
Amortization of intangible assets	83,942	80,655	79,921	20,013	19,453
Amortization of deferred revenue	(32,812)	(27,125)	(42,026)	(5,960)	(7,004)
Impairment losses on property, plant and equipment, land use rights and investment properties	108,590	–	121,696	–	100,715
(Reversal of)/provision for impairment losses on financial assets	(1,072)	181,923	282,599	113,713	233,819
Impairment losses on investments in associates	–	–	229,091	–	–
Interest income from term deposits with initial terms of over three months	(86,338)	(32,573)	(164,205)	–	(71,474)
Dividends income from FVPL	(15,075)	(12,768)	(102,847)	(12,635)	(20,255)
Interest income received from FVPL	–	–	–	–	(97,508)
Interest income derived from loans to related parties	(4,603)	(10,051)	(10,832)	(3,456)	(903)
Fair value (losses)/gains on financial assets and liabilities at fair value through profit or loss and gains from measurement of an associate to FVPL	273,450	(1,164,702)	(64,119)	(200,407)	300,601
Share of loss/(profit) of associates and joint ventures accounted for using the equity method	33,007	(140,701)	(229,236)	(177,056)	8,418
Dilution gains on deemed disposal of an associate	(36,747)	–	–	–	–
Gains from disposal of subsidiaries and their joint ventures	–	–	(287,325)	–	–
Net losses on disposals of property, plant and equipment	20,629	20,510	34,443	1,462	1,889
Losses/(gains) on early termination and modification of lease	599	(1,564)	(18,487)	(1,416)	(2,625)
Finance costs – net	1,140,123	1,213,487	1,257,716	269,954	322,875
Share-based compensation expenses	849,048	2,002,060	2,145,585	322,281	323,103
Increase in inventories	(5,234)	(52,816)	(6,981)	(24,595)	(51,413)
(Increase)/decrease in restricted cash	(108,957)	89,808	74,353	11,787	(2,926)
Increase in trade, other receivables and prepayments	(989,047)	(1,578,889)	(2,702,314)	(1,539,924)	(1,009,177)
Increase in trade and other payables	4,317,474	2,414,861	2,231,542	497,171	361,746
Cash generated from/(used in) operations	<u>5,041,848</u>	<u>2,474,509</u>	<u>2,139,725</u>	<u>(588,945)</u>	<u>1,250,390</u>

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(b) Reconciliation of liabilities from financing activities

This section sets out an analysis and the movements of liabilities from financing activities for the years ended March 31, 2021, 2022 and 2023 and for the three months ended June 30, 2022 and 2023.

	Liabilities from financing activities				
	Lease liabilities (Note 18)	Borrowings (Note 31)	Other financial liabilities (Note 33)	Loans provided by related parties (Note 35)	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As at April 1, 2020	764,872	7,472,035	8,395,549	–	16,632,456
Cash flows	(637,835)	1,071,719	(1,046,478)	–	(612,594)
Addition of new leases	791,971	–	–	–	791,971
Accrued interest expenses	35,319	384,459	734,245	–	1,154,023
Termination and modification of leases	(45,648)	–	–	–	(45,648)
Others	–	(13,900)	–	–	(13,900)
As at March 31, 2021	<u>908,679</u>	<u>8,914,313</u>	<u>8,083,316</u>	<u>–</u>	<u>17,906,308</u>
As at April 1, 2021	908,679	8,914,313	8,083,316	–	17,906,308
Cash flows	(637,489)	1,986,235	(1,466,950)	100,000	(18,204)
Addition of new leases	803,268	–	–	–	803,268
Accrued interest expenses	48,295	421,484	764,136	260	1,234,175
Termination and modification of leases	(102,808)	–	–	–	(102,808)
Others	–	(20,688)	–	16	(20,672)
As at March 31, 2022	<u>1,019,945</u>	<u>11,301,344</u>	<u>7,380,502</u>	<u>100,276</u>	<u>19,802,067</u>
As at April 1, 2022	1,019,945	11,301,344	7,380,502	100,276	19,802,067
Cash flows	(696,718)	4,269,344	(571,134)	716,317	3,717,809
Addition of new leases	951,627	–	–	–	951,627
Accrued interest expenses	47,148	522,332	765,609	12,994	1,348,083
Termination and modification of leases	(75,614)	–	–	–	(75,614)
Others	–	(90,367)	–	780	(89,587)
As at March 31, 2023	<u>1,246,388</u>	<u>16,002,653</u>	<u>7,574,977</u>	<u>830,367</u>	<u>25,654,385</u>
As at April 1, 2023	1,246,388	16,002,653	7,574,977	830,367	25,654,385
Cash flows	(204,788)	1,264,416	195,397	2,095,272	3,350,297
Addition of new leases	328,988	–	–	–	328,988
Accrued interest expenses	11,364	150,758	182,636	15,306	360,064
Termination and modification of leases	(37,199)	–	–	–	(37,199)
Others	–	(37,189)	–	917	(36,272)
As at June 30, 2023	<u>1,344,753</u>	<u>17,380,638</u>	<u>7,953,010</u>	<u>2,941,862</u>	<u>29,620,263</u>

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	Liabilities from financing activities				
	Lease liabilities	Borrowings	Other financial liabilities	Loans provided by related parties	Total
	(Note 18)				
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Unaudited)					
As at April 1, 2022	1,019,945	11,301,344	7,380,502	100,276	19,802,067
Cash flows	(152,745)	2,728,739	(290,278)	89,734	2,375,450
Addition of new leases	351,969	–	–	–	351,969
Accrued interest expenses	10,743	102,066	170,152	897	283,858
Termination and modification of leases	(14,179)	–	–	–	(14,179)
Others	–	(13,904)	–	53	(13,851)
As at June 30, 2022	<u>1,215,733</u>	<u>14,118,245</u>	<u>7,260,376</u>	<u>190,960</u>	<u>22,785,314</u>

(c) Major non-cash transactions

Other than the acquisition of other right-of-use assets described in Note 18 and the share-based transaction described in Note 30, there were no other material non-cash transactions during the Track Record Period.

38 Commitments

(a) Capital commitments

Significant capital expenditures contracted for at the end of the reporting period but not recognized as liabilities are as follows:

	As at March 31,			As at June 30,
	2021	2022	2023	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	7,237,095	7,206,227	4,713,117	4,324,657
Equity investment	2,282,524	–	1,450	3,878,287
	<u>9,519,619</u>	<u>7,206,227</u>	<u>4,714,567</u>	<u>8,202,944</u>

(b) Operating commitment

	As at March 31,			As at June 30,
	2021	2022	2023	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	2,474,818	3,286,084	3,949,091	4,574,123
1 to 2 year	1,285,304	1,567,376	2,278,185	2,688,827
2 to 3 year	553,241	596,132	727,288	449,298
3 to 4 year	165	79,033	41,029	43,292
Over 4 years	47	61,779	33,685	29,091
	<u>4,313,575</u>	<u>5,590,404</u>	<u>7,029,278</u>	<u>7,784,631</u>

39 Dividends

No dividend was paid or proposed for ordinary shareholders of the Company during each of the years ended March 31, 2021, 2022 and 2023 and the three months ended June 30, 2023.

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40 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of the Group are also considered as related parties.

Other than as disclosed elsewhere in the Historical Financial Information, the following significant transactions were carried out between the Group and its related parties during the periods presented. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Names and relationships with related parties

The table set forth below summarizes the names of the related parties and nature of their relationship with the Group during the Track Record Period.

Names of the major related parties	Nature of relationship
Alibaba (Beijing) Software Services Co., Ltd. (阿里巴巴(北京)軟件服務有限公司)	Fellow subsidiary of Alibaba Group
Alibaba (China) Co., Ltd. (阿里巴巴(中國)有限公司)	Fellow subsidiary of Alibaba Group
Alibaba (China) Software Co., Ltd. (阿里巴巴(中國)軟件有限公司)	Fellow subsidiary of Alibaba Group
Alibaba (China) Technology Co., Ltd. (阿里巴巴(中國)網絡技術有限公司)	Fellow subsidiary of Alibaba Group
Alibaba Cloud Computing (Beijing) Co., Ltd. (阿里巴巴雲計算(北京)有限公司)	Fellow subsidiary of Alibaba Group
Alibaba Cloud Computing Ltd. (阿里雲計算有限公司)	Fellow subsidiary of Alibaba Group
Alibaba Commerce Services (Malaysia) Sdn. Bhd.	Fellow subsidiary of Alibaba Group
Alibaba Group (U.S.) Inc.	Fellow subsidiary of Alibaba Group
Alibaba Health (Hong Kong) Technology Company Limited (阿里健康(香港)科技有限公司)	Fellow subsidiary of Alibaba Group
Alibaba.com (RU) Limited Liability Company	Fellow subsidiary of Alibaba Group
Alibaba.com Singapore E-Commerce Private Limited	Fellow subsidiary of Alibaba Group
Amap Information Technology Co., Ltd. (高德信息技術有限公司)	Fellow subsidiary of Alibaba Group
Beijing Alibaba Cloud Computing Technology Ltd. (北京阿里巴巴雲計算技術有限公司)	Fellow subsidiary of Alibaba Group
Beijing Chuanfu Yuntian Technology Co., Ltd. (北京傳富雲天科技有限公司)	Fellow subsidiary of Alibaba Group
Beijing Taobao Technology Co., Ltd. (北京淘寶科技有限公司)	Fellow subsidiary of Alibaba Group
Beijing Zhuoyi Xunchang Technology Co., Ltd. (北京卓易訊暢科技有限公司)	Fellow subsidiary of Alibaba Group
DingTalk (China) Information Technology Co., Ltd. (釘釘(中國)信息技術有限公司)	Fellow subsidiary of Alibaba Group
Glamour Sales (Shanghai) Trading Limited (魅力惠(上海)貿易有限公司)	Fellow subsidiary of Alibaba Group
Guangdong Shenma Search Technology Co., Ltd. (廣東神馬搜索科技有限公司)	Fellow subsidiary of Alibaba Group
Guangzhou Alibaba Literature Information Technology Co., Ltd. (廣州阿里巴巴文學信息技術有限公司)	Fellow subsidiary of Alibaba Group
Guangzhou Haochao E-Commerce Co., Ltd. (廣州昊超電子商務有限公司)	Fellow subsidiary of Alibaba Group
Guangzhou Shenma Mobile Information Technology Co., Ltd. (廣州神馬移動信息科技有限公司)	Fellow subsidiary of Alibaba Group
Guangzhou UCWeb Computer Technology Co., Ltd. (廣州市動景計算機科技有限公司)	Fellow subsidiary of Alibaba Group
Hangzhou Alimama Software Services Co., Ltd. (杭州阿里媽媽軟件服務有限公司)	Fellow subsidiary of Alibaba Group

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Names of the major related parties	Nature of relationship
Hangzhou Alimama Technology Co., Ltd. (杭州阿里媽媽網絡技術有限公司)	Fellow subsidiary of Alibaba Group
C-SKY Microsystems Co., Ltd. (杭州中天微系統有限公司)	Fellow subsidiary of Alibaba Group
Hangzhou Meow 100 E-Commerce Co., Ltd. (杭州喵滿分電子商務有限公司)	Fellow subsidiary of Alibaba Group
Hangzhou Yuanniu E-Commerce Co., Ltd. (杭州源牛電子商務有限公司)	Fellow subsidiary of Alibaba Group
Heyi Intelligent Technology (Shenzhen) Co., Ltd. (合一智能科技(深圳)有限公司)	Fellow subsidiary of Alibaba Group
Koubei (Shanghai) Information Technology Co., Ltd. (口碑(上海)信息技術有限公司)	Fellow subsidiary of Alibaba Group
Lazada Group S.A.	Fellow subsidiary of Alibaba Group
Alibaba Supply Chain Service Singapore Private Limited	Fellow subsidiary of Alibaba Group
Alibaba Smart Hub Belgium SRL	Fellow subsidiary of Alibaba Group
Nanjing Taobao Software Co., Ltd. (南京淘寶軟件有限公司)	Fellow subsidiary of Alibaba Group
Shanghai Hema Network Technology Co., Ltd. (上海盒馬網絡技術有限公司)	Fellow subsidiary of Alibaba Group
Shanghai Rajax Information & Technology, Ltd. (上海拉扎斯信息技術有限公司)	Fellow subsidiary of Alibaba Group
Shenzhen Highup Science and Technology Co., Ltd. (深圳市海安普科技技術有限公司)	Fellow subsidiary of Alibaba Group
Shenzhen OneTouch Business Service Ltd. (深圳市一達通企業服務有限公司)	Fellow subsidiary of Alibaba Group
Shenzhen OneTouch Cross-Border E-Commerce Service Co. Ltd. (深圳市一達通跨境電商服務有限公司)	Fellow subsidiary of Alibaba Group
Taobao (China) Software Co., Ltd. (淘寶(中國)軟件有限公司)	Fellow subsidiary of Alibaba Group
Taobao China Holding Limited (淘寶中國控股有限公司)	Fellow subsidiary of Alibaba Group
Tianjin Tmall E-Commerce Co., Ltd. (天津天貓電子商務有限公司)	Fellow subsidiary of Alibaba Group
UC Mobile (China) Co., Ltd. (優視科技(中國)有限公司)	Fellow subsidiary of Alibaba Group
UC Mobile Co., Ltd.	Fellow subsidiary of Alibaba Group
Zhejiang Alibaba Communication Technology Co., Ltd. (浙江阿里巴巴通信技術有限公司)	Fellow subsidiary of Alibaba Group
Zhejiang Alitrip Travel Agent Limited (浙江阿里商旅旅行社有限公司)	Fellow subsidiary of Alibaba Group
Zhejiang Fliggy Network Technology Co., Ltd. (浙江飛豬網絡技術有限公司)	Fellow subsidiary of Alibaba Group
Zhejiang Koubei Network Technology Co., Ltd. (浙江口碑網絡技術有限公司)	Fellow subsidiary of Alibaba Group
Hangzhou Maoyue Administration Co., Ltd. (杭州貓悅企業管理有限公司)	Fellow subsidiary of Alibaba Group
Zhejiang Taijishan Culture Development Co., Ltd. (浙江太極禪文化發展有限公司)	Fellow subsidiary of Alibaba Group
Zhejiang Tmall Supply Chain Management Co., Ltd. (浙江天貓供應鏈管理有限公司)	Fellow subsidiary of Alibaba Group
Zhejiang Tmall Technology Co., Ltd. (浙江天貓技術有限公司)	Fellow subsidiary of Alibaba Group
Zhonglian Shengshi Culture (Beijing) Co., Ltd. (中聯盛世文化(北京)有限公司)	Fellow subsidiary of Alibaba Group
Hangzhou Haochao E-Commerce Co., Ltd. (杭州昊超電子商務有限公司)	Fellow subsidiary of Alibaba Group
Zhejiang Mengmengchun Information Technology Co., Ltd. (浙江萌萌春信息技術有限公司)	Fellow subsidiary of Alibaba Group
Hangzhou Today Store Supply Chain Management Co., Ltd. (杭州今日賣場供應鏈管理有限公司)	Fellow subsidiary of Alibaba Group
Nanjing Haochao E-Commerce Co., Ltd. (南京昊超電子商務有限公司)	Fellow subsidiary of Alibaba Group

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Names of the major related parties	Nature of relationship
Wuhan Haochao E-Commerce Co., Ltd. (武漢昊超電子商務有限公司)	Fellow subsidiary of Alibaba Group
Zhangjiakou Tmall Youpin E-Commerce Co., Ltd. (張家口天貓優品電子商務有限公司)	Fellow subsidiary of Alibaba Group
Chengdu Haochao E-Commerce Co., Ltd. (成都昊超電子商務有限公司)	Fellow subsidiary of Alibaba Group
Shanghai Haochao E-Commerce Co., Ltd. (上海昊超電子商務有限公司)	Fellow subsidiary of Alibaba Group
Zhangbei Haochao E-Commerce Co., Ltd. (張北昊超電子商務有限公司)	Fellow subsidiary of Alibaba Group
Jiaxing Haochao E-Commerce Co., Ltd. (嘉興昊超電子商務有限公司)	Fellow subsidiary of Alibaba Group
Zhejiang Niaochao Supply Chain Management Co., Ltd. (浙江烏潮供應鏈管理有限公司)	Fellow subsidiary of Alibaba Group
Xian Haochao E-Commerce Co., Ltd. (西安昊超電子商務有限公司)	Fellow subsidiary of Alibaba Group
Jinhua Haochao E-Commerce Co., Ltd. (金華昊超電子商務有限公司)	Fellow subsidiary of Alibaba Group
Shanghai Juanxuan E-Commerce Co., Ltd. (上海涓選電子商務有限公司)	Fellow subsidiary of Alibaba Group
Nanchang HaoChao E-Commerce Co., Ltd. (南昌昊超電子商務有限公司)	Fellow subsidiary of Alibaba Group
WLCC Argus Holding (Hong Kong) Limited	Fellow subsidiary of Alibaba Group
Hangzhou Ant Nest Supply Chain Service Co., Ltd. (杭州蟻巢供應鏈服務有限公司)	Fellow subsidiary of Alibaba Group
Hangzhou Youmai Technology Co., Ltd. (杭州優買科技有限公司)	Fellow subsidiary of Alibaba Group
Hangzhou Haochao International Trading Co., Ltd. (杭州昊超國際貿易有限公司)	Fellow subsidiary of Alibaba Group
Zhejiang Tmall Network Co., Ltd. (浙江天貓網絡有限公司)	Fellow subsidiary of Alibaba Group
Shenzhen OneTouch Supply Chain Service Co., Ltd. (深圳市一達通供應鏈服務有限公司)	Fellow subsidiary of Alibaba Group
AliHealth Pharmaceutical Chain Co., Ltd. (阿里健康大藥房醫藥連鎖有限公司)	Fellow subsidiary of Alibaba Group
Alibaba Health Pharmacy Chain (Hangzhou) Co., Ltd. (阿里健康大藥房連鎖(杭州)有限公司)	Fellow subsidiary of Alibaba Group
Alibaba (Hangzhou) Cultural Innovation Co., Ltd. (阿里巴巴(杭州)文化創意有限公司)	Fellow subsidiary of Alibaba Group
Wuhan Chuanbai Logistics Network Technology Limited (武漢傳柏物聯網技術有限公司)	Fellow subsidiary of Alibaba Group
Zhejiang Taobao Network Co., Ltd. (浙江淘寶網絡有限公司)	Fellow subsidiary of Alibaba Group
Shanghai Chuanyun Logistics Network Technology Limited (上海傳雲物聯網技術有限公司)	Fellow subsidiary of Alibaba Group
Guangzhou Hema Xiansheng Network Technology Co., Ltd. (廣州盒馬鮮生網絡科技有限公司)	Fellow subsidiary of Alibaba Group
A-RT Retail Holdings Limited (吉鑫控股有限公司)	Fellow subsidiary of Alibaba Group since October 19, 2020
Suzhou Kang Cheng Storage Co., Ltd. (蘇州康誠倉儲有限公司)	Fellow subsidiary of Alibaba Group since October 19, 2020
Shenzhen 4PX Information Technology Co., Ltd. (深圳市遞四方信息科技有限公司)	Associate of the Group
Shanghai Kaxingtianxia Supply Chain Management Co., Ltd. (上海卡行天下供應鏈管理有限公司)	Associate of the Group
Shanghai Wenyao Supply Chain Technology Co., Ltd. (上海文鏞供應鏈科技有限公司)	Associate of the Group
Air China Cargo Co., Ltd. (中國國際貨運航空股份有限公司)	Associate of the Group since September 15, 2021
Baotong Inc.	Associate of the Group since October 29, 2021

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BEST Inc.	Associate of Alibaba Group
Singapore Post Limited	Associate of Alibaba Group
STO Express Co., Ltd. (申通快遞股份有限公司)	Associate of Alibaba Group
Guizhou Yishu Pharmaceuticals Co., Ltd. (貴州一樹藥業股份有限公司)	Associate of Alibaba Group
Lianhua E-commerce Co., Ltd. (聯華電子商務有限公司)	Associate of Alibaba Group
Qingdao Haier Multimedia Co., Ltd. (青島海爾多媒體有限公司)	Associate of Alibaba Group
Sesame Credit Management Co., Ltd. (芝麻信用管理有限公司)	Associate of Alibaba Group
Shanghai Beiye Newbrother Supply Chain Management Co., Ltd. (上海貝業新兄弟供應鏈管理有限公司)	Associate of Alibaba Group
Shanghai Baison Software Co., Ltd. (上海百勝軟件股份有限公司)	Associate of Alibaba Group
TTK Express Co., Ltd. (天天快遞有限公司)	Associate of Alibaba Group
Zhenjiang Wubadaojia Supply Chain Management Service Co., Ltd. (鎮江五八到家供應鏈管理服務有限公司)	Associate of Alibaba Group
Beijing Weimeng Technology Co., Ltd. (北京微夢創科網絡技術有限公司)	Associate of Alibaba Group
Hangzhou Xi Zhao Science & Technology Co., Ltd. (杭州犀照科技有限公司)	Associate of Alibaba Group
Suning.com Co., Ltd. (蘇寧易購集團股份有限公司)	Associate of Alibaba Group
Lily & Beauty (Shanghai) E-Commerce Co., Ltd. (麗人麗妝(上海)電子商務有限公司)	Associate of Alibaba Group
Shanghai Baozun E-Commerce Limited (上海寶尊電子商務有限公司)	Associate of Alibaba Group
Shanghai Bodao E-Commerce Limited (上海博道電子商務有限公司)	Associate of Alibaba Group
Shanghai Exfresh Logistics Technology Co., Ltd. (上海安鮮達物流科技有限公司)	Associate of Alibaba Group
Shanghai Yiguo E-Commerce Co., Ltd. (上海易果電子商務有限公司)	Associate of Alibaba Group
Weijing Technology Co., Ltd. (微鯨科技有限公司)	Associate of Alibaba Group
YTO Express Co., Limited (圓通速遞有限公司)	Associate of Alibaba Group
Zhongan Online Property Insurance Co., Ltd. (眾安在線財產保險股份有限公司)	Associate of Alibaba Group
Tian Hong Asset Management Co., Ltd. (天弘基金管理有限公司)	Associate of Alibaba Group
Zhejiang E-Commerce Bank Co., Ltd. (浙江網商銀行股份有限公司)	Associate of Alibaba Group
Alipay (China) Network Technology Co. Ltd. (支付寶(中國)網絡技術有限公司) (“Alipay”)	Associate of Alibaba Group
Alipay (Hangzhou) Information Technology Co., Ltd. (支付寶(杭州)信息技術有限公司)	Associate of Alibaba Group
Alipay Singapore E-Commerce Private Limited	Associate of Alibaba Group
Ant (Hangzhou) Fund Sales Co., Ltd. (螞蟻(杭州)基金銷售有限公司)	Associate of Alibaba Group
Hangzhou Ma Yi Shang Shu information technology Co., Ltd. (杭州螞蟻上數信息技術有限公司)	Associate of Alibaba Group
Aliexpress Russia Holding Pte. Ltd.	Associate of Alibaba Group
Hangzhou Huanyao Technology Co., Ltd. (杭州煥耀科技有限公司)	Associate of Alibaba Group
Quickthron Smart Technology (Shanghai) Co., Ltd. (上海快倉智能科技有限公司)	Associate of the Group presented in FVPL
Gooday Smart Technology (Qingdao) Co., Ltd. (青島日日順智慧物聯有限公司)	Associate of the Group presented in FVPL
Shaanxi Huangmajia Express Co., Ltd. (陝西黃馬甲快遞有限公司)	Associate of the Group presented in FVPL
Worldwide Logistics Holding Inc.	Associate of the Group presented in FVPL since October 23, 2020

APPENDIX I

ACCOUNTANT’S REPORT

<u>Names of the major related parties</u>	<u>Nature of relationship</u>
Shanghai Kuaixingtianxia Supply Chain Management Co., Ltd. (上海快行天下供應鏈管理有限公司)	Associate of the Group presented in FVPL since June 1, 2021
De Well Holdings Limited	Associate of the Group presented in FVPL since September 14, 2021

In the opinion of the management of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective parties.

(b) Key management personnel remuneration

The remuneration of key management personnel is as follows:

	<u>Year ended March 31,</u>			<u>Three months ended June 30,</u>	
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Wages, salaries and bonuses	11,552	12,477	14,268	3,566	3,666
Contributions to pension plans	72	104	114	27	28
Welfare, medical and other expenses	240	308	368	79	97
Share-based compensation expenses	16,040	107,339	94,415	20,823	14,773
	<u>27,904</u>	<u>120,228</u>	<u>109,165</u>	<u>24,495</u>	<u>18,564</u>

(c) Transactions with related parties

(i) Transactions with Alibaba Group

	<u>Year ended March 31,</u>			<u>Three months ended June 30,</u>	
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Rendering of services (Note 6)	15,423,436	20,613,943	21,900,931	5,207,935	6,880,134
Receiving cloud and other services	1,402,655	1,885,533	1,734,059	403,918	440,367
Receiving advertising services	63,843	36,870	68,578	10,855	23,123
Purchase of property, plant and equipment	–	37,434	–	–	–
Sale of property, plant and equipment	15,066	–	–	–	–
Loans received from Alibaba Group	–	100,000	716,317	89,734	2,095,272
Interest expenses on related parties’ loans	–	260	12,994	897	15,306
Collection of loans to Alibaba Group	–	120,648	–	–	–
Disposal of subsidiaries	–	–	372,998	–	–

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(ii) *Transactions with other related parties*

	Year ended March 31,			Three months ended June 30,	
	2021	2022	2023	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Rendering of services and sales of goods	931,939	1,121,818	1,517,182	182,416	554,568
Receiving logistics services	10,231,319	11,382,785	14,820,926	3,378,766	3,638,925
Receiving technology and other services	41,518	85,333	76,923	15,981	38,464
Receiving advertising services	260,194	10,224	5,289	572	1,176
Purchase of inventories	–	27,357	11,778	4,801	496
Purchase of property, plant and equipment	4,142	8,742	35,686	2,811	1,298
Loans to the Group’s associates	165,000	226,800	–	–	–
Collection of loans to the Group’s associates	65,000	–	100,000	–	–
Interest income derived from loans to the Group’s associates (Note 7)	4,603	10,051	10,832	3,456	903

(d) *Balances with related parties*

(i) *Balances of transactions with Alibaba Group*

	As at March 31,			As at June 30,
	2021	2022	2023	2023
	RMB’000	RMB’000	RMB’000	RMB’000
Trade receivables (Note 25)	2,040,377	3,112,997	3,882,779	4,899,088
Loans to Alibaba Group (Note 25)	120,648	–	–	–
Other receivables (Note 25)	48,500	72,382	430,597	85,985
Less: credit loss allowance	(19,996)	(30,507)	(36,738)	(96,552)
	<u>2,189,529</u>	<u>3,154,872</u>	<u>4,276,638</u>	<u>4,888,521</u>
Prepayments	33,711	32,072	30,125	29,711
Trade payable (Note 35)	938,737	1,450,492	1,364,534	1,511,647
Loans and interest payables from related parties* (Note 35)	–	100,276	830,367	2,941,862
Other payables (Note 35)	912,614	1,168,193	1,401,179	1,332,915
Contract liabilities	48,248	53,402	54,142	77,704

Note:

* In December 2021, the Group obtained a credit facility amounted to RMB10,000,000,000 from Alibaba Group, which expires in February 2025. During the Track Record Period, the Group drawn down several loans under the credit facility.

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ACCOUNTANT'S REPORT

(ii) *Balances of transactions with other related parties*

	As at March 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2023
Trade receivables (Note 25)	411,319	501,255	1,018,982	1,028,850
Loans to related parties (Note 25)	461,135	670,114	421,675	414,952
Other receivables	19,357	61,155	64,834	64,700
Dividend receivables (Note 21)	–	67,500	–	–
Less: credit loss allowance	(364,508)	(368,051)	(383,330)	(392,854)
	<u>527,303</u>	<u>931,973</u>	<u>1,122,161</u>	<u>1,115,648</u>
Cash and cash equivalents				
deposit in Alipay	575,306	597,109	724,717	865,312
Prepayments	5,741	3,033	2,873	4,029
Trade payables (Note 35)	1,713,511	1,991,896	2,717,827	2,497,227
Other payables (Note 35)	28,016	34,333	38,240	41,490
Contract liabilities	3,062	4,075	378,823	148,920

41 Transaction with non-controlling interests

(a) *Acquisitions of additional equity interests in non wholly-owned subsidiaries*

During the year ended March 31, 2021, the details of acquisitions of additional equity interests in non wholly-owned subsidiaries are as follows:

	Chengdu Guizhou Kunming										Total
	Wanxiang	Dongjun	Dongjun	Dongjun	Shengbang	Danniao	ALOG	Lantun	Dianwoba	Beiling	
	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total purchase consideration to non-controlling interests *	365,759	56,982	1,800	1,800	220,301	281,701	237,058	–	–	730,640	1,896,041
Carrying amount of non-controlling interests acquired	15,720	(7,954)	(1,140)	(1,884)	27,776	43,453	(41,571)	7,570	(71,704)	(29,659)	(59,393)
Reserve previously recognized upon grant of put option	–	–	–	–	–	–	–	–	–	(730,640)	(730,640)
Excess of consideration paid recognized as an adjustment of reserve	<u>381,479</u>	<u>49,028</u>	<u>660</u>	<u>(84)</u>	<u>248,077</u>	<u>325,154</u>	<u>195,487</u>	<u>7,570</u>	<u>(71,704)</u>	<u>(29,659)</u>	<u>1,106,008</u>

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Note:

- * Consideration amounting to RMB2,068,000 were settled by netting off receivables due from non-controlling interests, consideration of RMB1,150,333,000 and RMB730,640,000 were paid during the year ended March 31, 2021, while the remaining proceeds of RMB13,000,000 were paid during the year ended March 31, 2022.
- (i) The Group acquired an additional 26.71% of Shanghai Wanxiang Culture Development Co., Ltd.’s (“Wanxiang”) issued shares at a consideration of RMB365,759,000 and recognized an increase in non-controlling interests of RMB15,720,000 and a decrease in equity attributable to owners of the Company of RMB381,479,000.
- (ii) The Group acquired an additional 49.60% of Chengdu Dongjun Fast Logistics Co., Ltd.’s (“Chengdu Dongjun”) issued shares at a consideration of RMB56,982,000 and recognized a decrease in non-controlling interests of RMB7,954,000 and a decrease in equity attributable to owners of the Company of RMB49,028,000.
- (iii) The Group acquired an additional 40.00% of Dongjun Fast Logistics (Guizhou) Co., Ltd.’s (“Guizhou Dongjun”) issued shares at a consideration of RMB1,800,000 and recognized a decrease in non-controlling interests of RMB1,140,000 and a decrease in equity attributable to owners of the Company of RMB660,000.
- (iv) The Group acquired an additional 40.00% of Dongjun Fast Logistics (Kunming) Co., Ltd.’s (“Kunming Dongjun”) issued shares at a consideration of RMB1,800,000 and recognized a decrease in non-controlling interests of RMB1,884,000 and an increase in equity attributable to owners of the Company of RMB84,000.
- (v) The Group acquired an additional 49.50% of Nanjing Shengbang Logistics Co., Ltd.’s (“Shengbang”) issued shares at a consideration of RMB220,301,000 and recognized an increase in non-controlling interests of RMB27,776,000 and a decrease in equity attributable to owners of the Company of RMB248,077,000.
- (vi) The Group acquired an additional 49.32% of Danniao issued shares at a consideration of RMB281,701,000 and recognized an increase in non-controlling interests of RMB43,453,000 and a decrease in equity attributable to owners of the Company of RMB325,154,000.
- (vii) The Group acquired an additional 6.80% of Zhejiang ALOG Supply Chain Management Co., Ltd.’s (“ALOG”) issued shares at a consideration of RMB237,058,000 and recognized a decrease in non-controlling interests of RMB41,571,000 and a decrease in equity attributable to owners of the Company of RMB195,487,000.
- (viii) The Group acquired an additional 30.00% of Zhejiang Lantun Transport Technology Co., Ltd.’s (“Lantun”) issued shares at nil consideration and recognized an increase in non-controlling interests of RMB7,570,000 and a decrease in equity attributable to owners of the Company of RMB7,570,000.
- (ix) The Group acquired an additional 70.97% of Dianwoba’s issued shares at nominal consideration of USD2 and recognized a decrease in non-controlling interests and an increase in equity attributable to owners of the Company at the same amount of RMB71,704,000.
- (x) As disclosed in Note 33 (iii), during the year ended March 31, 2021, Yue Hai exercised the put option and the Group purchased all the shares held by Yue Hai at a consideration of RMB730,640,000 as a result. The Group recognized a decrease in non-controlling interests and an increase in equity attributable to owners of the Company at the same amount of RMB29,659,000 after deduction of reserve previously recognized upon grant of put option of RMB730,640,000.

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ACCOUNTANT’S REPORT

During the year ended March 31, 2022, the details of acquisitions of additional equity interests in non wholly-owned subsidiaries are as follows:

	Wanxiang (xi)	Wanzhixiang (xii)	Ruconnect (xiii)	Yizhan (xiv)	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Total purchase consideration to non-controlling interests	88,463	9,189	1,124	833,954	932,730
Carrying amount of non-controlling interests acquired	387	(1,411)	3,825	(61,879)	(59,078)
Excess of consideration paid recognized as an adjustment of reserve	<u>88,850</u>	<u>7,778</u>	<u>4,949</u>	<u>772,075</u>	<u>873,652</u>

Note:

* Consideration amounting to RMB927,730,000 were paid during the year ended March 31, 2022, while the remaining proceeds of RMB5,000,000 were paid during the year ended March 31, 2023.

- (xi) The Group acquired an additional 2.89% of Wanxiang’s issued shares at a consideration of RMB88,463,000 and recognized an increase in non-controlling interests of RMB387,000 and a decrease in equity attributable to owners of the Company of RMB88,850,000.
- (xii) The Group acquired an additional 11.11% of Guangzhou Wanzhixiang Logistics Co., Ltd.’s (“Wanzhixiang”) issued shares at a consideration of RMB9,189,000 and recognized a decrease in non-controlling interests of RMB1,411,000 and a decrease in equity attributable to owners of the Company of RMB7,778,000.
- (xiii) The Group acquired an additional 40.00% of Ruconnect issued shares at a consideration of RMB1,124,000 and recognized an increase in non-controlling interests of RMB3,825,000 and a decrease in equity attributable to owners of the Company of RMB4,949,000.
- (xiv) The Group acquired an additional 3.79% of Yizhan issued shares at a consideration of RMB833,954,000 and recognized a decrease in non-controlling interests of RMB61,879,000 and a decrease in equity attributable to owners of the Company of RMB772,075,000.

(b) Dilution of/changes in interests in non wholly-owned subsidiaries

- (i) During the year ended March 31, 2021, Zhejiang Zhongrui Investment Management Limited and Ningbo Meishan Bonded Port Area Fushan Investment Limited injected RMB182,150,000 to acquire 36.43% interest in Xiniao, a fully owned subsidiary of the Company. The Group recognized an increase in non-controlling interests of RMB156,322,000 and an increase in equity attributable to owners of the Company of RMB25,828,000. The effect of changes in the ownership interest of Xiniao on the equity attributable to owners of the Company during the year is summarized as follows:

Capital injection from the non-controlling interests	<i>RMB’000</i> 182,150
Carrying amount of non-controlling interests recognized	(156,322)
Excess of subscription received recognized within equity	<u>25,828</u>

- (ii) During the year ended March 31, 2022, the Group conducted a reorganization of shareholding structures of certain controlling subsidiaries. Before the reorganization, the shares of Danniao and Chengdu Dongjun were entirely held by the Group, and shares of Wanxiang and Shengbang were

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held by the Group and Alibaba Group respectively. After the reorganization, Danniao is owned as to 80.49% by the Group and as to 19.51% by Alibaba Group, and Wanxiang, Shengbang and Chengdu Dongjun became wholly-owned subsidiaries of Danniao.

This transaction was accounted for as transaction with non-controlling interests, and the difference between carrying amount of non-controlling interests in these four subsidiaries before and after the reorganization was recognized in other reserve. The effect on the equity attributable to the owners of aforementioned subsidiaries during the year is summarized as follows:

	<i>RMB'000</i>
Carrying amount of non-controlling interests derecognized	17,319
Carrying amount of non-controlling interests recognized	(83,156)
Difference recognized as a deduction of reserve	<u>(65,837)</u>

- (iii) During the year ended March 31, 2023, Xiniaio issued additional 8,024,000 units of paid-in capital for a consideration of RMB401,200,000, of which RMB146,200,000 were subscribed by non-controlling shareholders and remaining RMB255,000,000 were subscribed by the Group. The Group recognized an increase in non-controlling interests of RMB180,232,000 and an increase in equity attributable to owners of the Company of RMB34,032,000. The effect of changes in the ownership interest of Xiniaio on the equity attributable to owners of the Company during the year is summarized as follows:

	<i>RMB'000</i>
Subscription from issuance of equity interests to non-controlling shareholders	146,200
Carrying amount of non-controlling interests recognized	(180,232)
Excess of subscription received recognized within equity	<u>(34,032)</u>

- (iv) During the year ended March 31, 2023, Yizhan issued additional 22,800,000 units of paid-in capital to Shanghai Taocaicai E-commerce Co., Ltd. for a consideration of RMB1,799,759,000. The Group recognized an increase in non-controlling interests of RMB932,202,000 and an increase in equity attributable to owners of the Company of RMB867,557,000. The effect of changes in the ownership interest of Yizhan on the equity attributable to owners of the Company during the year is summarized as follows:

	<i>RMB'000</i>
Subscription from issuance of equity interests to non-controlling shareholders	1,799,759
Carrying amount of non-controlling interests recognized	(932,202)
Excess of subscription received recognized within equity	<u>867,557</u>

(c) Transfer of equity interests of subsidiaries to non-controlling interests

- (i) During the year ended March 31, 2021, the Group sold 12.57% Xiniaio's issued shares at a consideration of RMB62,850,000. The Group recognized respective non-controlling interests of RMB53,719,000 and an increase in equity attributable to owners of the Company of RMB9,131,000. The effect on the equity attributable to the owners of Xiniaio during the year is summarized as follows:

	<i>RMB'000</i>
Consideration received from non-controlling interests	62,850
Carrying amount of equity interests sold	(53,719)
Excess of consideration received recognized within equity	<u>9,131</u>

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- (ii) During the year ended March 31, 2023, the Group sold 9.20% Yizhan’s issued shares at a consideration of RMB1,821,887,000. The Group recognized respective non-controlling interests of RMB99,874,000 and an increase in equity attributable to owners of the Company of RMB1,722,013,000. The effect on the equity attributable to the owners of Yizhan during the year is summarized as follows:

	<i>RMB’000</i>
Consideration received from non-controlling interests	1,821,887
Carrying amount of equity interests sold	(99,874)
Excess of consideration received recognized within equity	<u>1,722,013</u>

42 Contingent liabilities

As at March 31, 2021, 2022 and 2023 and June 30, 2023, the Group has no material contingent liabilities.

43 Events after the balance sheet date

In August 2023, the Group acquired 25% of interests in STO Express Co., Ltd. from Alibaba Group at the consideration of RMB3,878,287,000, and the investment was treated as an investment accounted for using the equity method.

In August 2023, the Group acquired the minority interests of certain non wholly-owned subsidiaries of the Group from Alibaba Group at total consideration of RMB110,156,000, and the transactions were treated as transactions with non-controlling shareholders.

Other than the event as disclosed above, there are no other material subsequent events undertaken by or impacted on the Company or the Group subsequent to June 30, 2023 and up the date of this report.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2023 and up to the date of this report. No dividend or distribution has been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2023.

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

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[REDACTED]

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX III EXTRACTS OF CERTAIN FINANCIAL INFORMATION OF STO

The financial information of STO Express Co., Ltd. (“**STO**”) contained in this appendix (the “**STO Financial Information**”) is extracted from the consolidated income statements and consolidated balance sheets that previously published by STO as a company publicly listed on the Shenzhen Stock Exchange (the “**Shenzhen Stock Exchange**”). The STO Financial Information has been prepared in accordance with the China Accounting Standards for Business Enterprise. The STO Financial Information and other related business and operating information of STO were included in the annual reports for the years ended December 31, 2020, 2021 and 2022 and the quarterly report as of and for the three months ended March 31, 2023 issued and published by STO, which are publicly accessible at <http://www.szse.cn/disclosure/listed/bulletinDetail/index.html?b29b5ec4-5853-48cf-bbe8-9184ec5bfb1d>, <http://www.szse.cn/disclosure/listed/bulletinDetail/index.html?a19414ce-ba28-4f2f-b8ff-f864b10e3b8b>, <http://www.szse.cn/disclosure/listed/bulletinDetail/index.html?b124ecb4-cc49-4f48-9594-095ac90c62d5> and <http://www.szse.cn/disclosure/listed/bulletinDetail/index.html?4b1fcc81-a237-4a2d-8bd5-98d865633ab6>, respectively. The financial information of STO as at and for the year ended December 31, 2020, 2021 and 2022 contained in this appendix is extracted from audited consolidated financial statements, which have been audited by STO’s independent auditor, Daxin Accounting Firm (Special General Partner)* (大信會計師事務所(特殊普通合夥)), Daxin Accounting Firm (Special General Partner) and Rongcheng Accounting Firm (Special General Partnership)* (容誠會計師事務所(特殊普通合夥)), as included in STO’s annual reports for the years ended December 31, 2020, 2021 and 2022, respectively. Except for those expressly reproduced herein, any other statement, data or information contained in these hyperlinks are not incorporated into this document.

None of our Company, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] or the Reporting Accountant involved in the [REDACTED] or their respective affiliates, directors, officers, employees, advisers or agents was involved or have otherwise participated in the preparation of the STO Financial Information or have performed any verification or inspection as to its accuracy, fairness and completeness.

The inclusion of the STO Financial Information is for the Shareholders and potential investors of our Company to evaluate the risks associated with our Company’s investment in STO and the [REDACTED] only. Shareholders and potential investors of our Company are cautioned not to unduly rely on the STO Financial Information announced by STO, as they do not represent our Group’s consolidated results during the Track Record Period. Instead, Shareholders and potential investors of our Company should refer to our Group’s consolidated results from the Accountant’s Report set out in Appendix I to this document, as well as the section headed “Financial Information” in this document for details of the financial information of our Group. Shareholders and potential investors of our Company should not place undue reliance on any financial information not prepared by our Company, including the STO Financial Information. Shareholders and potential investors of our Company are further cautioned that the financial statements as of and for the three months ended March 31, 2023 of STO have not been audited by its independent auditor and should not be relied upon to evaluate STO’s financial condition and results of operation for this period or the full year ending December 31, 2023.

APPENDIX III EXTRACTS OF CERTAIN FINANCIAL INFORMATION OF STO

CONSOLIDATED BALANCE SHEETS

As of December 31, 2020

Prepared by: STO Express Co., Ltd.

Unit: RMB

Item	As of December 31,	
	2020	2019
Current assets:		
Cash and cash equivalents	2,603,664,056.59	3,210,591,291.87
Held-for-trading financial assets	1,954,820,858.00	1,075,000,000.00
Accounts receivable	957,754,030.80	862,822,511.96
Prepayments	269,532,901.70	245,881,658.31
Other receivables	164,191,286.91	107,333,900.97
Inventories	64,486,411.58	40,671,254.72
Other current assets	789,768,074.37	894,156,848.14
Total current assets	6,804,217,619.95	6,436,457,465.97
Non-current assets:		
Long-term receivables	5,000,000.00	5,000,000.00
Long-term equity investments	120,145,164.57	124,035,997.38
Other investments in equity instruments	393,689,034.93	230,304,101.74
Property, plant and equipment	5,173,774,798.73	3,992,595,272.31
Construction in progress	332,408,804.54	449,948,896.98
Intangible assets	1,336,853,659.87	948,352,748.26
Development expenditures	–	22,422,083.40
Goodwill	1,482,714,976.30	1,339,013,844.22
Long-term prepayments	74,325,261.53	103,916,787.32
Deferred income tax assets	147,966,591.09	86,514,811.53
Other non-current assets	80,513,856.99	116,659,858.25
Total non-current assets	9,147,392,148.55	7,418,764,401.39
Total assets	15,951,609,768.50	13,855,221,867.36

Legal representative:
Chen Dejun

Person in charge of accounting
affairs:
Chen Haijian

Person in charge of the accounting
department:
Li Ming

APPENDIX III EXTRACTS OF CERTAIN FINANCIAL INFORMATION OF STO

Unit: RMB

Item	As of December 31,	
	2020	2019
Current liabilities:		
Short-term borrowings	2,368,333,707.06	1,065,154,030.56
Accounts payables	2,507,130,424.59	2,417,562,081.18
Advances received	1,010,794.36	712,112,681.69
Contract liabilities	567,084,452.44	–
Employee benefits payable	140,027,135.36	111,836,588.08
Taxes payables	90,140,633.59	69,186,627.91
Other payables	343,446,833.97	225,582,937.45
Other current liabilities	10,905,470.24	–
Total current liabilities	6,028,079,451.61	4,601,434,946.87
Non-current liabilities:		
Corporate bonds	1,014,381,891.39	–
Provisions	3,281,761.74	3,989,107.95
Deferred revenue	56,034,541.95	30,624,784.65
Deferred income tax liabilities	8,382,418.00	8,157,203.50
Total non-current liabilities	1,082,080,613.08	42,771,096.10
Total liabilities	7,110,160,064.69	4,644,206,042.97
Shareholders' equity:		
Share capital	422,012,153.00	422,012,153.00
Capital reserve	3,177,043,641.63	3,194,101,432.38
Less: treasury shares	197,844,068.53	–
Other comprehensive income	-146,987,909.85	-132,527,897.29
Specific reserve	10,549,695.11	11,129,362.55
Statutory reserve	585,302,913.96	585,302,913.96
Undistributed profits	4,940,174,546.32	5,056,927,496.63
Total equity attributable to the shareholders of the parent company	8,790,250,971.64	9,136,945,461.23
Non-controlling interests	51,198,732.17	74,070,363.16
Total shareholders' equity	8,841,449,703.81	9,211,015,824.39
Total liabilities and shareholders' equity	15,951,609,768.50	13,855,221,867.36

Legal representative:
Chen Dejun

Person in charge of accounting
affairs:
Chen Haijian

Person in charge of the accounting
department:
Li Ming

APPENDIX III EXTRACTS OF CERTAIN FINANCIAL INFORMATION OF STO

CONSOLIDATED INCOME STATEMENTS

For the year ended December 31, 2020

Prepared by: STO Express Co., Ltd.

Unit: RMB

Item	Year ended December 31,	
	2020	2019
I. Revenue	21,566,054,673.74	23,088,941,220.36
Less: Cost of revenue.	20,839,904,809.10	20,668,587,646.04
Taxes and surcharges	33,607,265.22	40,897,264.45
Sales and marketing expenses	144,999,068.06	145,527,680.50
General and administrative expenses.	498,386,625.78	550,018,777.40
R&D expenses	131,141,385.91	103,669,826.89
Finance costs	-16,309,057.66	-69,073,571.43
Including: Interest expenses	83,121,046.88	34,193,701.68
Interest income	100,267,109.90	105,057,961.64
Add: Other income	167,026,268.03	196,634,946.01
Investment income (loss stated with "-")	65,539,847.10	27,183,232.45
Including: Investment income from associates and joint ventures	-3,786,244.63	1,411,496.19
Gains on changes of fair value (loss stated with "-")	900,858.00	-
Loss on credit impairment (loss stated with "-")	-25,435,649.39	-24,605,739.01
Loss on asset impairment (loss stated with "-")	-899,128.68	-
Gains on disposal of assets (loss stated with "-")	-26,583,658.63	4,160,409.31
II. Operating profit (loss stated with "-")	114,873,113.76	1,852,686,445.27
Add: Non-operating income	23,177,511.47	17,659,328.53
Less: Non-operating expenses	33,445,932.46	36,489,949.98
III. Total profit (total loss stated with "-")	104,604,692.77	1,833,855,823.82
Less: Income tax expenses	55,590,136.81	414,690,976.06
IV. Net profit (net loss stated with "-")	49,014,555.96	1,419,164,847.76
(I) Classified by continuity of operation:		
1. Net profit for continuing operation (net loss stated with "-")	49,014,555.96	1,419,164,847.76
(II) Classified by ownership:		
1. Net profit attributable to the shareholders of the parent company (net loss stated with "-")	36,327,266.29	1,408,306,713.72
2. Non-controlling shareholders' profit or loss (net loss stated with "-")	12,687,289.67	10,858,134.04
V. Net other comprehensive income after tax	-14,453,308.41	-2,744.55
(I) Net other comprehensive income after tax attributable to the shareholders of the parent company	-14,460,012.56	9,176.44
1. Other comprehensive income to be reclassified into profit or loss	-14,460,012.56	9,176.44
(1) Other comprehensive income that can be transferred to profit and loss under equity method	794,540.50	71,933.71
(2) Translation difference on financial statements denominated in foreign currencies	-15,254,553.06	-62,757.27
(II) Net other comprehensive income after tax attributable to minority shareholders	6,704.15	-11,920.99
VI. Total comprehensive income.	34,561,247.55	1,419,162,103.21
(I) Total comprehensive income attributable to the shareholders of the parent company	21,867,253.73	1,408,315,890.16
(II) Total comprehensive income attributable to minority shareholders	12,693,993.82	10,846,213.05
VII. Earnings per share		
(I) Basic earnings per share.	0.02	0.92
(II) Diluted earnings per share	0.02	0.92

Legal representative:
Chen Dejun

Person in charge of accounting
affairs:
Chen Haijian

Person in charge of the accounting
department:
Li Ming

APPENDIX III EXTRACTS OF CERTAIN FINANCIAL INFORMATION OF STO

CONSOLIDATED BALANCE SHEETS

As of December 31, 2021

Prepared by: STO Express Co., Ltd.

Unit: RMB

Item	As of December 31,	
	2021	2020
Current assets:		
Cash and cash equivalents	2,234,574,007.21	2,603,664,056.59
Held-for-trading financial assets	2,482,485,597.20	1,954,820,858.00
Accounts receivable	850,718,390.38	957,754,030.80
Prepayments	245,994,337.48	269,532,901.70
Other receivables	186,222,336.25	164,191,286.91
Inventories	54,538,855.03	64,486,411.58
Other current assets	1,044,095,574.68	789,768,074.37
Total current assets	7,098,629,098.23	6,804,217,619.95
Non-current assets:		
Long-term receivables	–	5,000,000.00
Long-term equity investments	97,798,814.14	120,145,164.57
Other investments in equity instruments	390,772,536.42	393,689,034.93
Property, plant and equipment	5,662,720,733.53	5,173,774,798.73
Construction in progress	727,151,193.39	332,408,804.54
Right-of-use assets	1,752,800,483.94	–
Intangible assets	1,449,763,489.63	1,336,853,659.87
Development expenditures	18,269,424.71	–
Goodwill	805,619,002.21	1,482,714,976.30
Long-term prepayments	343,233,583.09	74,325,261.53
Deferred income tax assets	273,955,814.46	147,966,591.09
Other non-current assets	146,193,283.03	80,513,856.99
Total non-current assets	11,668,278,358.55	9,147,392,148.55
Total assets	18,766,907,456.78	15,951,609,768.50

Legal representative:
Chen Dejun

Person in charge of accounting
affairs:
Liang Bo

Person in charge of the accounting
department:
Li Ming

APPENDIX III EXTRACTS OF CERTAIN FINANCIAL INFORMATION OF STO

Unit: RMB

Item	As of December 31,	
	2021	2020
Current liabilities:		
Short-term borrowings	3,671,888,320.09	2,368,333,707.06
Accounts payables	2,513,322,869.16	2,507,130,424.59
Advances received	3,177,037.18	1,010,794.36
Contract liabilities	905,315,478.86	567,084,452.44
Employee benefits payable	142,883,476.39	140,027,135.36
Taxes payables	116,180,643.19	90,140,633.59
Other payables	427,277,390.15	343,446,833.97
Non-current liabilities due within one year.	419,159,025.56	–
Other current liabilities	109,461,207.75	10,905,470.24
Total current liabilities	8,308,665,448.33	6,028,079,451.61
Non-current liabilities:		
Long-term borrowings	149,908,704.61	–
Corporate bonds	1,015,003,204.19	1,014,381,891.39
Lease liabilities	1,306,382,432.68	–
Provisions	19,765,553.12	3,281,761.74
Deferred revenue	55,988,197.16	56,034,541.95
Deferred income tax liabilities	34,130,697.80	8,382,418.00
Total non-current liabilities.	2,581,178,789.56	1,082,080,613.08
Total liabilities	10,889,844,237.89	7,110,160,064.69
Shareholders' equity:		
Share capital	422,012,153.00	422,012,153.00
Capital reserve	3,177,043,641.63	3,177,043,641.63
Less: treasury shares	236,039,015.62	197,844,068.53
Other comprehensive income	-18,001,483.81	-146,987,909.85
Specific reserve	314,350.88	10,549,695.11
Statutory reserve	571,950,964.05	585,302,913.96
Undistributed profits	3,910,676,963.35	4,940,174,546.32
Total equity attributable to the shareholders of the parent company	7,827,957,573.48	8,790,250,971.64
Non-controlling interests	49,105,645.41	51,198,732.17
Total shareholders' equity	7,877,063,218.89	8,841,449,703.81
Total liabilities and shareholders' equity	18,766,907,456.78	15,951,609,768.50

Legal representative:
Chen Dejun

Person in charge of accounting
affairs:
Liang Bo

Person in charge of the accounting
department:
Li Ming

APPENDIX III EXTRACTS OF CERTAIN FINANCIAL INFORMATION OF STO

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2021

Prepared by: STO Express Co., Ltd.

Unit: RMB

Item	Year ended December 31,	
	2021	2020
I. Revenue	25,254,777,113.80	21,566,054,673.74
Less: Cost of revenue	24,667,044,068.07	20,839,904,809.10
Taxes and surcharges	51,544,025.78	33,607,265.22
Sales and marketing expenses	154,956,614.46	144,999,068.06
General and administrative expenses	566,917,508.27	498,386,625.78
R&D expenses	108,323,420.88	131,141,385.91
Finance costs	156,461,192.33	-16,309,057.66
Including: Interest expenses	152,886,965.77	83,121,046.88
Interest income	74,646,446.33	100,267,109.90
Add: Other income	212,919,041.10	167,026,268.03
Investment income (loss stated with "-")	102,583,674.77	65,539,847.10
Including: Investment income from associates and joint ventures	-7,059,649.93	-3,786,244.63
Gains on changes of fair value (loss stated with "-")	11,785,597.20	900,858.00
Loss on credit impairment (loss stated with "-")	-49,580,520.07	-25,435,649.39
Loss on asset impairment (loss stated with "-")	-729,028,112.94	-899,128.68
Gains on disposal of assets (loss stated with "-")	-25,254,941.59	-26,583,658.63
II. Operating profit (loss stated with "-")	-927,044,977.52	114,873,113.76
Add: Non-operating income	20,816,059.79	23,177,511.47
Less: Non-operating expenses	94,103,464.71	33,445,932.46
III. Total profit (total loss stated with "-")	-1,000,332,382.44	104,604,692.77
Less: Income tax expenses	-88,889,209.06	55,590,136.81
IV. Net profit (net loss stated with "-")	-911,443,173.38	49,014,555.96
(I) Classified by continuity of operation:		
1. Net profit for continuing operation (net loss stated with "-")	-911,443,173.38	49,014,555.96
(II) Classified by ownership:		
1. Net profit attributable to the shareholders of the parent company (net loss stated with "-")	-909,330,033.76	36,327,266.29
2. Non-controlling shareholders' profit or loss (net loss stated with "-")	-2,113,139.62	12,687,289.67
V. Net other comprehensive income after tax	-4,513,020.22	-14,453,308.41
(I) Net other comprehensive income after tax attributable to the shareholders of the parent company	-4,533,073.08	-14,460,012.56
1. Other comprehensive income that cannot be reclassified into profit or loss	-325,790.71	-
(1) Fair value change on other investments in equity instruments	-325,790.71	-
2. Other comprehensive income to be reclassified into profit or loss	-4,207,282.37	-14,460,012.56
(1) Other comprehensive income that can be transferred to profit and loss under equity method	-88,282.28	794,540.50
(2) Translation difference on financial statements denominated in foreign currencies	-4,119,000.09	-15,254,553.06
(II) Net other comprehensive income after tax attributable to minority shareholders	20,052.86	6,704.15
VI. Total comprehensive income	-915,956,193.60	34,561,247.55
(I) Total comprehensive income attributable to the shareholders of the parent company	-913,863,106.84	21,867,253.73
(II) Total comprehensive income attributable to minority shareholders	-2,093,086.76	12,693,993.82
VII. Earnings per share		
(I) Basic earnings per share	-0.60	0.02
(II) Diluted earnings per share	-0.60	0.02

Legal representative:
Chen Dejun

Person in charge of accounting
affairs:
Liang Bo

Person in charge of the accounting
department:
Li Ming

APPENDIX III EXTRACTS OF CERTAIN FINANCIAL INFORMATION OF STO

CONSOLIDATED BALANCE SHEETS

As of December 31, 2022

Prepared by: STO Express Co., Ltd.

Unit: RMB

Item	As of December 31, 2022	As of January 1, 2022
Current assets:		
Cash and cash equivalents	2,166,231,361.79	2,234,574,007.21
Held-for-trading financial assets	58,735,264.89	2,482,485,597.20
Accounts receivable	935,274,754.78	850,718,390.38
Prepayments	303,839,278.38	245,994,337.48
Other receivables	216,844,617.26	186,222,336.25
Inventories	43,580,550.80	54,538,855.03
Other current assets	1,478,721,573.22	1,044,095,574.68
Total current assets	5,203,227,401.12	7,098,629,098.23
Non-current assets:		
Long-term equity investments	94,138,035.16	97,798,814.14
Other investments in equity instruments	471,727,633.73	390,772,536.42
Property, plant and equipment	7,357,005,472.47	5,662,720,733.53
Construction in progress	1,246,811,128.54	727,151,193.39
Right-of-use assets	2,721,787,153.22	1,752,800,483.94
Intangible assets	1,536,276,604.92	1,449,763,489.63
Development expenditures	32,247,258.39	18,269,424.71
Goodwill	791,990,906.53	805,619,002.21
Long-term prepayments	395,367,062.91	343,233,583.09
Deferred income tax assets	177,432,954.90	273,955,814.46
Other non-current assets	304,133,757.08	146,193,283.03
Total non-current assets	15,128,917,967.85	11,668,278,358.55
Total assets	20,332,145,368.97	18,766,907,456.78

Legal representative:
Chen Dejun

Person in charge of accounting
affairs:
Liang Bo

Person in charge of the accounting
department:
Li Ming

APPENDIX III EXTRACTS OF CERTAIN FINANCIAL INFORMATION OF STO

Unit: RMB

Item	As of December 31, 2022	As of January 1, 2022
Current liabilities:		
Short-term borrowings	1,908,887,674.05	3,671,888,320.09
Accounts payables	3,261,079,169.25	2,513,322,869.16
Advances received	22,530,407.39	3,177,037.18
Contract liabilities	1,126,048,531.31	905,315,478.86
Employee benefits payable	233,687,348.78	142,883,476.39
Taxes payables	126,339,233.60	116,180,643.19
Other payables	584,003,621.97	427,277,390.15
Non-current liabilities due within one year.	1,645,015,820.97	419,159,025.56
Other current liabilities	115,063,926.69	109,461,207.75
Total current liabilities	9,022,655,734.01	8,308,665,448.33
Non-current liabilities:		
Long-term borrowings	728,689,922.13	149,908,704.61
Corporate bonds	–	1,015,003,204.19
Lease liabilities	2,250,393,167.92	1,306,382,432.68
Long-term payables	8,697,361.74	–
Provisions	37,532,402.51	19,765,553.12
Deferred revenue	64,831,361.81	55,988,197.16
Deferred income tax liabilities	11,855,076.41	34,130,697.80
Total non-current liabilities.	3,101,999,292.52	2,581,178,789.56
Total liabilities	12,124,655,026.53	10,889,844,237.89
Owners' equity		
Share capital	422,012,153.00	422,012,153.00
Capital reserve	3,040,650,322.50	3,177,043,641.63
Less: treasury shares	77,113,667.62	236,039,015.62
Other comprehensive income	3,725,325.59	-18,001,483.81
Specific reserve	9,777,751.32	314,350.88
Statutory reserve	573,005,318.08	571,950,964.05
Undistributed profits	4,197,341,141.68	3,910,676,963.35
Total equity attributable to the owners of		
the parent company	8,169,398,344.55	7,827,957,573.48
Non-controlling interests.	38,091,997.89	49,105,645.41
Total owners' equity	8,207,490,342.44	7,877,063,218.89
Total liabilities and owners' equity	20,332,145,368.97	18,766,907,456.78

Legal representative:
Chen Dejun

Person in charge of accounting
affairs:
Liang Bo

Person in charge of the accounting
department:
Li Ming

APPENDIX III EXTRACTS OF CERTAIN FINANCIAL INFORMATION OF STO

CONSOLIDATED INCOME STATEMENTS

For the year ended December 31, 2022

Prepared by: STO Express Co., Ltd.

Unit: RMB

Item	Year ended December 31,	
	2022	2021
I. Revenue	33,670,693,346.03	25,254,777,113.80
Less: Cost of revenue	32,195,944,681.44	24,667,044,068.07
Taxes and surcharges	58,612,404.51	51,544,025.78
Sales and marketing expenses	178,199,504.37	154,956,614.46
General and administrative expenses	685,310,912.57	566,917,508.27
R&D expenses	123,915,290.27	108,323,420.88
Finance costs	192,055,610.06	156,461,192.33
Including: Interest expenses	182,010,992.66	152,886,965.77
Interest income	92,051,252.06	74,646,446.33
Add: Other income	332,798,855.66	212,919,041.10
Investment income (loss stated with "-")	103,848,668.07	102,583,674.77
Including: Investment income from associates and joint ventures	-2,188,337.09	-7,059,649.93
Gains on changes of fair value (loss stated with "-")	-11,783,365.68	11,785,597.20
Loss on credit impairment (loss stated with "-")	-77,634,903.47	-49,580,520.07
Loss on asset impairment (loss stated with "-")	-73,393,772.45	-729,028,112.94
Gains on disposal of assets (loss stated with "-")	-23,638,071.60	-25,254,941.59
II. Operating profit (loss stated with "-")	486,852,353.34	-927,044,977.52
Add: Non-operating income	32,347,565.62	20,816,059.79
Less: Non-operating expenses	155,980,938.32	94,103,464.71
III. Total profit (total loss stated with "-")	363,218,980.64	-1,000,332,382.44
Less: Income tax expenses	89,617,289.62	-88,889,209.06
IV. Net profit (net loss stated with "-")	273,601,691.02	-911,443,173.38
(I) Classified by continuity of operation:		
1. Net profit for continuing operation (net loss stated with "-")	273,876,403.52	-911,443,173.38
2. Net profit from discontinued operation (net loss stated with "-")	-274,712.50	-
(II) Classified by ownership:		
1. Net profit attributable to the owners of the parent company (net loss stated with "-")	287,718,532.36	-909,330,033.76
2. Non-controlling shareholders' profit or loss (net loss stated with "-")	-14,116,841.34	-2,113,139.62
V. Net other comprehensive income after tax	24,830,003.22	-4,513,020.22
(I) Net other comprehensive income after tax attributable to the owners of the parent company	21,726,809.40	-4,533,073.08
1. Other comprehensive income that cannot be reclassified into profit or loss	-	-325,790.71
(1) Fair value change on other investments in equity instruments	-	-325,790.71
2. Other comprehensive income to be reclassified into profit or loss	21,726,809.40	-4,207,282.37
(1) Other comprehensive income that can be transferred to profit and loss under equity method	-1,379,202.69	-88,282.28
(2) Translation difference on financial statements denominated in foreign currencies	23,106,012.09	-4,119,000.09
(II) Net other comprehensive income after tax attributable to minority shareholders	3,103,193.82	20,052.86
VI. Total comprehensive income	298,431,694.24	-915,956,193.60
(I) Total comprehensive income attributable to the owners of the parent company	309,445,341.76	-913,863,106.84
(II) Total comprehensive income attributable to minority shareholders	-11,013,647.52	-2,093,086.76
VII. Earnings per share		
(I) Basic earnings per share (RMB/Share)	0.19	-0.60
(II) Diluted earnings per share ((RMB/Share)	0.19	-0.60

Legal representative:
Chen Dejun

Person in charge of accounting
affairs:
Liang Bo

Person in charge of the accounting
department:
Li Ming

APPENDIX III EXTRACTS OF CERTAIN FINANCIAL INFORMATION OF STO

CONSOLIDATED BALANCE SHEETS

As of March 31, 2023

Prepared by: STO Express Co., Ltd.

Unit: RMB

Item	As of March 31, 2023	As of December 31, 2022
Current assets:		
Cash and cash equivalents	2,862,005,318.62	2,166,231,361.79
Held-for-trading financial assets	135,066,792.66	58,735,264.89
Accounts receivable	860,541,254.43	935,274,754.78
Prepayments	294,097,952.61	303,839,278.38
Other receivables	286,666,851.55	216,844,617.26
Inventories	52,176,570.44	43,580,550.80
Other current assets	1,602,886,568.46	1,478,721,573.22
Total current assets	6,093,441,308.77	5,203,227,401.12
Non-current assets:		
Long-term equity investments	43,299,845.84	94,138,035.16
Other investments in equity instruments	468,871,523.12	471,727,633.73
Property, plant and equipment	7,660,629,529.83	7,357,005,472.47
Construction in progress	1,098,084,239.16	1,246,811,128.54
Right-of-use assets	2,588,038,249.02	2,721,787,153.22
Intangible assets	1,551,851,574.19	1,536,276,604.92
Development expenditures	21,759,401.95	32,247,258.39
Goodwill	791,990,906.53	791,990,906.53
Long-term prepayments	380,346,404.39	395,367,062.91
Deferred income tax assets	166,687,899.26	177,432,954.90
Other non-current assets	371,844,825.65	304,133,757.08
Total non-current assets	15,143,404,398.94	15,128,917,967.85
Total assets	21,236,845,707.71	20,332,145,368.97

Legal representative:
Chen Dejun

Person in charge of accounting
affairs:
Liang Bo

Person in charge of the accounting
department:
Li Ming

APPENDIX III EXTRACTS OF CERTAIN FINANCIAL INFORMATION OF STO

Unit: RMB

Item	As of March 31, 2023	As of December 31, 2022
Current liabilities:		
Short-term borrowings	3,333,827,072.05	1,908,887,674.05
Notes payable	119,633,686.51	–
Accounts payables	2,918,604,052.10	3,261,079,169.25
Advances received	29,309,759.93	22,530,407.39
Contract liabilities	993,826,822.20	1,126,048,531.31
Employee benefits payable	191,431,279.48	233,687,348.78
Taxes payables	189,413,904.18	126,339,233.60
Other payables	665,102,498.84	584,003,621.97
Non-current liabilities due within one year	1,115,005,303.62	1,645,015,820.97
Other current liabilities	113,392,182.52	115,063,926.69
Total current liabilities	9,669,546,561.43	9,022,655,734.01
Non-current liabilities:		
Long-term borrowings	964,399,314.09	728,689,922.13
Lease liabilities	2,173,707,787.62	2,250,393,167.92
Long-term payables	6,999,257.11	8,697,361.74
Provisions	42,338,659.88	37,532,402.51
Deferred revenue	65,868,277.66	64,831,361.81
Deferred income tax liabilities	11,693,993.56	11,855,076.41
Total non-current liabilities	3,265,007,289.92	3,101,999,292.52
Total liabilities	12,934,553,851.35	12,124,655,026.53
Owner's equity		
Share capital	422,012,153.00	422,012,153.00
Capital reserve	3,047,977,171.05	3,040,650,322.50
Less: treasury shares	127,075,970.62	77,113,667.62
Other comprehensive income	-994,537.65	3,725,325.59
Specific reserve	21,552,462.89	9,777,751.32
Statutory reserve	573,005,318.08	573,005,318.08
Undistributed profits	4,330,225,078.78	4,197,341,141.68
Total equity attributable to the owners of the parent company	8,266,701,675.53	8,169,398,344.55
Non-controlling interests	35,590,180.83	38,091,997.89
Total owner' equity	8,302,291,856.36	8,207,490,342.44
Total liabilities and owners' equity	21,236,845,707.71	20,332,145,368.97

Legal representative:
Chen Dejun

Person in charge of accounting
affairs:
Liang Bo

Person in charge of the accounting
department:
Li Ming

APPENDIX III EXTRACTS OF CERTAIN FINANCIAL INFORMATION OF STO

CONSOLIDATED INCOME STATEMENTS

For the first quarter of 2023

Prepared by: STO Express Co., Ltd.

Unit: RMB

Item	January to March 2023	January to March 2022
I. Revenue	8,743,896,520.64	7,152,316,990.57
Less: Cost of revenue	8,317,414,294.71	6,778,633,783.97
Taxes and surcharges	18,663,221.11	14,296,354.40
Sales and marketing expenses	37,859,225.85	41,892,727.79
General and administrative expenses	185,031,542.00	165,949,744.12
R&D expenses	33,519,611.68	26,119,539.35
Finance costs	46,177,966.74	53,425,326.82
Including: Interest expenses	32,870,707.93	50,099,358.04
Interest income	19,281,975.38	19,753,606.58
Add: Other income	56,695,993.03	70,574,902.44
Investment income (loss stated with "-")	6,777,117.92	28,065,190.36
Including: Investment income from associates and joint ventures	-637,090.14	-612,265.57
Gains on changes of fair value (loss stated with "-")	331,527.77	-10,296,263.86
Loss on credit impairment (loss stated with "-")	2,645,832.55	-19,274,324.91
Loss on asset impairment (loss stated with "-")	-1,663,793.78	-
Gains on disposal of assets (loss stated with "-")	3,071,220.70	4,467,405.89
II. Operating profit (loss stated with "-")	173,088,556.74	145,536,424.04
Add: Non-operating income	6,185,869.25	1,444,683.49
Less: Non-operating expenses	16,189,936.52	9,898,065.44
III. Total profit (total loss stated with "-")	163,084,489.47	137,083,042.09
Less: Income tax expenses	32,720,941.80	34,626,549.24
IV. Net profit (net loss stated with "-")	130,363,547.67	102,456,492.85
(I) Classified by continuity of operation:		
1. Net profit for continuing operation (net loss stated with "-")	130,363,547.67	102,456,492.85
(II) Classified by ownership:		
1. Net profit attributable to the owners of the parent company	132,883,937.10	106,385,842.78
2. Non-controlling shareholders' profit or loss	-2,520,389.43	-3,929,349.93

APPENDIX III EXTRACTS OF CERTAIN FINANCIAL INFORMATION OF STO

Item	January to March 2023	January to March 2022
V. Net other comprehensive income after tax	-4,701,290.87	-864,830.03
(I) Net other comprehensive income after tax attributable to the owners of the parent company	-4,719,863.24	-861,591.80
1. Other comprehensive income to be reclassified into profit or loss	-4,719,863.24	-861,591.80
(1) Translation difference on financial statements denominated in foreign currencies	-4,719,863.24	-861,591.80
(II) Net other comprehensive income after tax attributable to minority shareholders	18,572.37	-3,238.23
VI. Total comprehensive income	125,662,256.80	101,591,662.82
(I) Total comprehensive income attributable to the owners of the parent company	128,164,073.86	105,524,250.98
(II) Total comprehensive income attributable to minority shareholders	-2,501,817.06	-3,932,588.16
VII. Earnings per share		
(I) Basic earnings per share	0.09	0.07
(II) Diluted earnings per share	0.09	0.07

Legal representative:
Chen Dejun

Person in charge of accounting
affairs:
Liang Bo

Person in charge of the accounting
department:
Li Ming

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For the purposes of a separate class meeting, the Board may treat two or more classes of Shares as forming one class of Shares if the Board considers that such classes of Shares would be affected in the same way by the proposals under consideration, but in any other case shall treat them as separate classes of Shares.

Any rights conferred upon the holders of Shares of any class shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of the Shares of that class, be deemed to be varied by the creation or issue of further Shares ranking *pari passu* therewith.

(c) *Alteration of Capital*

The Company may by ordinary resolution:

- (i) increase its share capital by the creation of new Shares of such amount and with such rights, priorities and privileges attached to such Shares as it may determine;
- (ii) consolidate and divide all or any of its share capital into Shares of a larger amount than its existing Shares. On any consolidation of fully paid Shares and division into Shares of a larger amount, the Board may settle any difficulty which may arise as it thinks expedient and, in particular (but without prejudice to the generality of the foregoing), may as between the holders of Shares to be consolidated determine which particular Shares are to be consolidated into a consolidated Share, and if it shall happen that any person shall become entitled to fractions of a consolidated Share or Shares, such fractions may be sold by some person appointed by the Board for that purpose and the person so appointed may transfer the Shares so sold to the purchaser(s) thereof and the validity of such transfer shall not be questioned, and the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated Share or Shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (iii) sub-divide its Shares or any of them into Shares of an amount smaller than that fixed by the Memorandum; and
- (iv) cancel any Shares which, as at the date of passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the Shares so cancelled.

The Company may by special resolution reduce its share capital or any undistributable reserve, subject to the provisions of the Companies Act.

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(d) Transfer of Shares

Subject to the terms of the Articles, any member of the Company may transfer all or any of his Shares by an instrument of transfer. If the Shares in question were issued in conjunction with rights, options, warrants or units issued pursuant to the Articles on terms that one cannot be transferred without the other, the Board shall refuse to register the transfer of any such Share without evidence satisfactory to it of the like transfer of such right, option, warrant or unit.

Subject to the Articles and the requirements of the Stock Exchange, all transfers of Shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a recognised clearing house or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a Share until the name of the transferee is entered in the register of members of the Company in respect of that Share.

Subject to the provisions of the Companies Act, if the Board considers it necessary or appropriate, the Company may establish and maintain a branch register or registers of members at such location or locations within or outside the Cayman Islands as the Board thinks fit. The Board may, in its absolute discretion, at any time transfer any Share on the principal register to any branch register or any Share on any branch register to the principal register or any other branch register.

The Board may, in its absolute discretion, decline to register a transfer of any Share (not being a fully paid Share) to a person of whom it does not approve or on which the Company has a lien, or a transfer of any Share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any Share to more than four joint holders. It may also decline to recognise any instrument of transfer if the proposed transfer does not comply with the Articles or any requirements of the Listing Rules.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of Share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

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when the resolution of the Board authorising such call was passed. The joint holders of a Share shall be severally as well as jointly liable for the payment of all calls and instalments due in respect of such Share.

If a call remains unpaid after it has become due and payable, the member from whom the sum is due shall pay interest on the unpaid amount at such rate as the Board shall determine (together with any expenses incurred by the Company as a result of such non-payment) from the day it became due and payable until it is paid, but the Board may waive payment of such interest or expenses in whole or in part.

If a member fails to pay any call or instalment of a call after it has become due and payable, the Board may, for so long as any part of the call or instalment remains unpaid, give to such member not less than 14 clear days' notice requiring payment of the unpaid amount together with any interest which may have accrued and which may still accrue up to the date of payment (together with any expenses incurred by the Company as a result of such non-payment). The notice shall specify a further day on or before which the payment required by the notice is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the Shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any Share in respect of which the notice was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Board. Such forfeiture shall include all dividends, other distributions and other monies payable in respect of the forfeited Share and not paid before the forfeiture.

A person whose Shares have been forfeited shall cease to be a member in respect of the forfeited Shares, shall surrender to the Company for cancellation the certificate(s) for the Shares forfeited and shall remain liable to pay to the Company all monies which, as at the date of forfeiture, were payable by him to the Company in respect of the Shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of payment as the Board may determine and any expenses incurred by the Company as a result of such non-payment.

2.2 Directors

(a) Appointment, Retirement and Removal

The Company may by ordinary resolution of the members elect any person to be a Director. The Board may also appoint any person to be a Director at any time, either to fill a casual vacancy or as an additional Director subject to any maximum number fixed by the members in general meeting or the Articles. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment

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At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. If the number of Directors is not a multiple of three, then the number nearest to but not less than one-third shall be the number of retiring Directors, provided that every Director shall be subject to retirement by rotation at least once every three years. The Directors to retire at each annual general meeting shall be those who have been in office longest since their last re-election or appointment and, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

(b) Power to Allot and Issue Shares and other Securities

Subject to the provisions of the Companies Act, the Memorandum and Articles and, where applicable, the Listing Rules, and without prejudice to any rights or restrictions for the time being attached to any Shares, the Board may allot, issue, grant options over or otherwise dispose of Shares with or without preferred, deferred or other rights or restrictions, whether with regard to dividend, voting, return of capital or otherwise, to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, provided that no Shares shall be issued at a discount to their par value.

The Company may issue rights, options, warrants or convertible securities or securities of a similar nature conferring the right upon the holders thereof to subscribe for, purchase or receive any class of Shares or other securities in the Company on such terms as the Board may from time to time determine.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of Shares, to make, or make available, any such allotment, offer, option or Shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(c) Power to Dispose of the Assets of the Company or any of its Subsidiaries

Subject to the provisions of the Companies Act, the Memorandum and Articles and any directions given by special resolution of the Company, the Board may exercise all powers and do all acts and things which may be exercised or done by the Company to dispose of the assets of the Company or any of its subsidiaries. No alteration to the Memorandum or Articles and no direction given by special resolution of the Company shall invalidate any prior act of the Board which would have been valid if such alteration or direction had not been made or given.

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(d) Borrowing Powers

The Board may exercise all the powers of the Company to raise or borrow money, secure the payment of any sum or sums of money for the purposes of the Company, mortgage or charge all or any part of its undertaking, property and uncalled capital of the Company, and, subject to the Companies Act, issue debentures, debenture stock, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(e) Remuneration

A Director shall be entitled to receive such sums as shall from time to time be determined by the Board or the Company in general meetings. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in connection with attendance at meetings of the Board or committees of the Board, or general meetings of the Company or separate meetings of the holders of any class of Shares or debentures of the Company, or otherwise in connection with the business of the Company and the discharge of their duties as Directors, and/or to receive fixed allowances in respect thereof as may be determined by the Board.

The Board or the Company in general meetings may also approve additional remuneration to any Director for any services which in the opinion of the Board or the Company in general meetings go beyond such Director's ordinary routine work as a Director.

(f) Compensation or Payments for Loss of Office

There are no provisions in the Articles relating to compensation or payment for loss of office.

(g) Loans to Directors

There are no provisions in the Articles relating to making of loans to Directors.

(h) Disclosure of Interest in Contracts with the Company or any of its Subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company.

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No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, nor shall any such contract or any other contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director is in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realised by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding such office or of the fiduciary relationship established by it, provided that the nature of interest of any Director or alternate Director in any such contract or transaction shall be disclosed by such Director or alternate Director at or prior to the consideration and vote thereon.

A Director shall not vote on (or be counted in the quorum in relation to) any resolution of the Board in respect of any contract or arrangement or other proposal in which he or any of his close associate(s) has a material interest, and if he shall do so his vote shall not be counted and he shall not be counted in the quorum for such resolution. This prohibition shall not apply to any of the following matters:

- (i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of Shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the [REDACTED] or sub-[REDACTED] of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of (A) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit or (B) any pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

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- (v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of Shares, debentures or other securities of the Company by virtue only of his/their interest in those Shares, debentures or other securities.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Unless otherwise determined, two Directors shall be a quorum. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.4 Alterations to the Constitutional Documents and the Company's Name

The Memorandum and Articles may only be altered or amended, and the name of the Company may only be changed, by special resolution of the Company.

2.5 Meetings of Members

(a) *Special and Ordinary resolutions*

A special resolution must be passed by a majority of not less than three-fourths of the voting rights held by such members as, being entitled so to do, vote in person or by proxy or, in the case of any members which is a corporation, by its duly authorised representative(s) or by proxy, at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. A special resolution may also be approved in writing by all the members entitled to vote at a general meeting in one or more instruments each signed by one or more of such members.

An ordinary resolution, in contrast, is a resolution passed by a simple majority of the voting rights held by such members as, being entitled to do so, vote in person or by proxy or, in the case of any member which is a corporation, by its duly authorised representative(s) or by proxy, at a general meeting. An ordinary resolution may also be approved in writing by all the members entitled to vote at a general meeting in one or more instruments each signed by one or more of such members.

The provisions of special resolutions and ordinary resolutions shall apply *mutatis mutandis* to any resolutions passed by the holders of any class of shares.

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(b) Voting Rights and Right to Demand a Poll

Subject to any rights, restrictions or privileges as to voting for the time being attached to any class or classes of Shares, at any general meeting: (a) on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every Share and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote.

In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him in respect of the relevant Shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

Any corporation or other non-natural person which is a member of the Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body or by power of attorney, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members, and the person so authorised shall be entitled to exercise the same powers as the corporation or other non-natural person could exercise as if it were a natural person member of the Company.

If a recognised clearing house or its nominee(s) is a member of the Company, it may appoint proxies or authorise such person or persons as it thinks fit to act as its representative(s), who enjoy rights equivalent to the rights of other members, at any meeting of the Company (including but not limited to general meetings and creditors meetings) or at any meeting of any class of members of the Company, provided that if more than one person is so authorised, the authorisation shall specify the number and class of Shares in respect of which each such person is so authorised. A person so authorised shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house or its nominee(s) as if such person were a natural person member of the Company, including the right to speak and vote individually on a show of hands or on a poll.

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All members of the Company (including a member which is a recognised clearing house (or its nominee(s))) shall have the right to (i) speak at a general meeting and (ii) and vote at a general meeting except where a member is required by the Listing Rules to abstain from voting to approve the matter under consideration. Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(c) Annual General Meetings and Extraordinary General Meetings

The Company must hold a general meeting as its annual general meeting in each financial year. Such meeting shall be specified as such in the notices calling it, and must be held within six months after the end of the Company's financial year. A meeting of the members or any class thereof may be held by telephone, tele-conferencing or other electronic means, provided that all participants are able to communicate contemporaneously with one another, and participation in a meeting in such manner shall constitute presence at such meetings.

The Board may convene an extraordinary general meeting whenever it thinks fit. In addition, one or more members holding, as at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per Share basis) in the share capital of the Company may make a requisition to convene an extraordinary general meeting and/or add resolutions to the agenda of a meeting. Such requisition, which must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists, shall be deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office of the Company. If the Board does not within 21 days from the date of deposit of such requisition duly proceed to convene a general meeting to be held within the following 21 days, the requisitionists or any of them representing more than one-half of the total voting rights of all the requisitionists may themselves convene a general meeting, but any such meeting so convened shall be held no later than the day falling three months after the expiration of the said 21-day period. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by the Board, and all reasonable expenses incurred by the requisitionists shall be reimbursed to the requisitionists by the Company.

(d) Notices of Meetings and Business to be Conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or

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deemed to be served and of the day for which it is given, and must specify the date, time, place and agenda of the meeting, the particulars of the resolution(s) to be considered at the meeting and the general nature of the business to be considered at the meeting.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address, (to the extent permitted by the Listing Rules and all applicable laws and regulations) by electronic means or (in the case of a notice) by advertisement published in the manner prescribed under the Listing Rules.

Notwithstanding that a meeting of the Company is called by shorter notice than as specified above, if permitted by the Listing Rules, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights held by such members.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Board in its absolute discretion consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, it may change or postpone the meeting to another date, time and place.

The Board also has the power to provide in every notice calling a general meeting that in the event of a gale warning, a black rainstorm warning or extreme conditions is/are in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Board may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

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in his place. A member who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is a natural person and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were a natural person member present in person at any general meeting. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing and executed under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation or other non-natural person, either under its seal or under the hand of a duly authorised representative.

The Board shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner by which the instrument appointing a proxy shall be deposited and the place and time (being no later than the time appointed for the commencement of the meeting or adjourned meeting to which the instrument of proxy relates) at which such instrument shall be deposited.

Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form that complies with the Listing Rules as the Board may from time to time approve. Any form issued to a member for appointing a proxy to attend and vote at a general meeting at which any business is to be considered shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise the discretion of the proxy in respect of) each resolution dealing with any such business.

2.6 Accounts and Audit

The Board shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions in accordance with the Companies Act.

The books of accounts of the Company shall be kept at the principal place of business of the Company in Hong Kong or, subject to the provisions of the Companies Act, at such other place or places as the Board thinks fit and shall always be open to inspection by any Director. No member (not being a Director) or other person shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or as authorised by the Board or the Company in general meeting.

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The Board shall cause to be prepared and laid before the Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law and the Listing Rules.

The members shall at each annual general meeting appoint auditor(s) to hold office by ordinary resolution of the members until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the members at the annual general meeting at which they are appointed by ordinary resolution of the members or in any other manner as specified in such ordinary resolution. The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by ordinary resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in their place for the remainder of the term.

The accounts of the Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.7 Dividends and other Methods of Distribution

Subject to the Companies Act and the Articles, the Company may by ordinary resolution resolve to declare dividends and other distributions on Shares in issue in any currency and authorise payment of the dividends or distributions out of the funds of the Company lawfully available therefor, provided that (i) no dividends shall exceed the amount recommended by the Board, and (ii) no dividends or distributions shall be paid except out of the realised or unrealised profits of the Company, out of the share premium account or as otherwise permitted by law.

The Board may from time to time pay to the members of the Company such interim dividends as appear to the Board to be justified by the financial conditions and the profits of the Company. In addition, the Board may from time to time declare and pay special dividends on Shares of such amounts and on such dates as it thinks fit.

Except as otherwise provided by the rights attached to any Shares, all dividends and other distributions shall be paid according to the amounts paid up on the Shares that a member holds during the period in respect of which the dividends and distributions are paid. No amount paid up on a Share in advance of calls shall for this purpose be treated as paid up on the Share.

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The Board may deduct from any dividends or other distributions payable to any member of the Company all sums of money (if any) then payable by him to the Company on account of calls or otherwise. The Board may retain any dividends or distributions payable on or in respect of a Share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividends or other distributions payable by the Company on or in respect of any Share shall carry interest against the Company.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may further resolve:

- (a) that such dividend be satisfied in whole or in part in the form of an allotment of Shares credited as fully paid on the basis that the Shares so allotted shall be of the same class as the class already held by the allottee, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of Shares credited as fully paid in lieu of the whole or such part of the dividend as the Board may think fit on the basis that the Shares so allotted shall be of the same class as the class already held by the allottee.

Upon the recommendation of the Board, the Company may by ordinary resolution resolve in respect of any one particular dividend of the Company determine that notwithstanding the foregoing, a dividend may be satisfied wholly in the form of an allotment of Shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividends, distributions or other monies payable in cash in respect of Shares may be paid by wire transfer to the holder of such Shares or by cheque or warrant sent by post to the registered address of such holder, or in the case of joint holders, to the registered address of the holder who is first named on the register of members of the Company, or to such person and to such address as the holder or joint holders may in writing direct. Any one of two or more joint holders may give effectual receipts for any dividends, distributions or other monies payable in respect of the Shares held by them as joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied in whole or in part by the distribution of specific assets of any kind.

Any dividends or other distributions which remain unclaimed for six years from the date on which such dividends or distributions become payable shall be forfeited and shall revert to the Company.

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Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial Assistance to Purchase Shares of a Company or its Holding Company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of Shares and Warrants by a Company and its Subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of section 37A(1) of the Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Act.

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3.7 Disposal of Assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

3.8 Accounting and Auditing Requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it; and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange Control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

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A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Mergers and consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving

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company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting members have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

3.18 Mergers and Consolidations involving a Foreign Company

Where the merger or consolidation involves a foreign company, the procedure is similar, save that with respect to the foreign company, the directors of the Cayman Islands exempted company are required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the merger or consolidation is permitted or not prohibited by the constitutional documents of the foreign company and by the laws of the jurisdiction in which the foreign company is incorporated, and that those laws and any requirements of those constitutional documents have been or will be complied with; (ii) that no petition or other similar proceeding has been filed and remains outstanding or order made or resolution adopted to wind up or liquidate the foreign company in any jurisdictions; (iii) that no receiver, trustee, administrator or other similar person has been appointed in any jurisdiction and is acting in respect of the foreign company, its affairs or its property or any part thereof; (iv) that no scheme, order, compromise or other similar arrangement has been entered into or made in any jurisdiction whereby the rights of creditors of the foreign company are and continue to be suspended or restricted.

Where the surviving company is the Cayman Islands exempted company, the directors of the Cayman Islands exempted company are further required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the foreign company is able to pay its debts as they fall due and that the merger or consolidated is bona fide and not intended to defraud unsecured creditors of the foreign company; (ii) that in respect of the transfer of any security interest granted by the foreign company to the surviving or consolidated company (a) consent or approval to the transfer has been obtained, released or waived; (b) the transfer is permitted by and has been approved in accordance with the constitutional documents of the foreign company; and (c) the laws of the jurisdiction of the foreign company with respect to the transfer have been or will

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be complied with; (iii) that the foreign company will, upon the merger or consolidation becoming effective, cease to be incorporated, registered or exist under the laws of the relevant foreign jurisdiction; and (iv) that there is no other reason why it would be against the public interest to permit the merger or consolidation.

3.19 Reconstructions and Amalgamations

Reconstructions and amalgamations may be approved by (i) 75% in value of the members or class of members or (ii) a majority in number representing 75% in value of the creditors or class of creditors, in each case depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, it can be expected that the court would approve the transaction if it is satisfied that (i) the company is not proposing to act illegally or beyond the scope of our corporate authority and the statutory provisions as to majority vote have been complied with, (ii) the members have been fairly represented at the meeting in question, (iii) the transaction is such as a businessman would reasonable approve and (iv) the transaction is not one that would more properly be sanctioned under some other provisions of the Companies Act or that would amount to a "fraud on the minority".

If the transaction is approved, no dissenting member would have any rights comparable to the appraisal rights (namely the right to receive payment in cash for the judicially determined value of his shares), which may be available to dissenting members of corporations in other jurisdictions.

3.20 Takeovers

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.21 Indemnification

The Cayman Islands laws do not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

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3.22 Economic Substance

The Cayman Islands enacted the International Tax Co-operation (Economic Substance) Act (2021 Revision) together with the Guidance Notes published by the Cayman Islands Tax Information Authority from time to time. The Company is required to comply with the economic substance requirements from July 1, 2019 and make an annual report in the Cayman Islands as to whether or not it is carrying on any relevant activities and if it is, it must satisfy an economic substance test.

4. GENERAL

Harney Westwood & Riegels, the Company's legal adviser on Cayman Islands laws, has sent to the Company a letter of advice summarising the aspects of the Companies Act set out in section 3 above. This letter, together with copies of the Companies Act, the Memorandum and the Articles, is on display on the websites of the Stock Exchange and the Company as referred to in the section headed "Documents Delivered to the Registrar of Companies and Documents on Display" in Appendix VI. Any person wishing to have a detailed summary of the Companies Act or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

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A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

We were incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on May 20, 2015. We have established a principal place of business in Hong Kong at 26/F Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on September 12, 2023. Ms. Wai Kam NG (伍偉琴) has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong. The address for service of process and notices is 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong.

As we were incorporated in the Cayman Islands, our operations is subject to the Cayman Companies Act and to the Memorandum and Articles of Association. A summary of the certain aspects of the Cayman Islands company law and a summary of certain provisions of the Memorandum and Articles of Association is set out in the section headed “Summary of the Constitution of Our Company and Cayman Companies Act” in Appendix IV to this document.

2. Changes in the Share Capital of Our Company

On the date of incorporation of our Company, our authorized share capital was US\$50,000 divided into 50,000,000,000 shares with par value of US\$0.000001 each. On May 20, 2015, our Company allotted and issued one Share to the initial subscriber, Trident Nominees (Cayman) Ltd., which was in turn transferred to Ali CN Investment on May 28, 2015.

In the financial year ended March 31, 2022, we issued 87,061,849 Class A Ordinary Shares and 49,986,822 Class B Ordinary Shares.

In the financial year ended March 31, 2023, we issued 21,479,432 Class A Ordinary Shares and 80,729,125 Class B Ordinary Shares.

For the three months ended June 30, 2023, we issued 1,259,075 Class B Ordinary Shares.

On September 18, 2023, 475,000,000 authorized but unissued Class A Ordinary Shares with par value of US\$0.000001 each were re-designated as 475,000,000 Class B Ordinary Shares with par value of US\$0.000001 each.

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As of the Latest Practicable Date, the authorized share capital of our Company was US\$50,000 divided into 47,670,000,000 ordinary shares with par value of US\$0.000001 each, 195,000,000 Class A Ordinary Shares with par value of US\$0.000001 each, and 2,135,000,000 Class B Ordinary Shares with par value of US\$0.000001 each.

Save as disclosed above and in the section headed "History and Corporate Structure" in this document, there has been no alteration in the share capital of our Company within the two years immediately preceding the date of this document.

3. Resolutions in Writing of the Shareholders of Our Company Passed on [●], 2023

Pursuant to the written resolutions passed by the Shareholders on [●], 2023, among other things:

- (a) conditional on (1) the [REDACTED] granting the [REDACTED] of, and permission to [REDACTED], the Shares in issue and to be issued as mentioned in this document, (2) the [REDACTED] being fixed on the [REDACTED] and (3) the obligations of the [REDACTED] under the [REDACTED] becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the [REDACTED]:
 - (i) the adoption of the Memorandum and the Articles of Association which will come into effect upon [REDACTED] was approved;
 - (ii) the [REDACTED] was approved and our Directors were authorized to determine the [REDACTED] for, and to allot and issue, the [REDACTED] pursuant to the [REDACTED];
 - (iii) the granting of the [REDACTED] was approved; and
 - (iv) the proposed [REDACTED] was approved and our Directors were authorized to implement the [REDACTED];
- (b) a general unconditional mandate was granted to our Directors to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by our Directors other than pursuant to (i) a rights issue, (ii) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, (iii) the exercise of options which may be granted under the Post-[REDACTED] Equity Incentive Plan, (iv) the exercise of any subscription or conversion rights attaching to any warrants or securities which are convertible into Shares or in issue prior to the date of passing the relevant resolution or (v) a specific authority granted by the Shareholders in general meeting, shall not exceed the

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aggregate of (1) 20% of the total nominal value of the share capital of our Company in issue immediately following the completion of the [REDACTED] (but excluding any Shares which may be issued pursuant to the exercise of the [REDACTED] or under the Pre-[REDACTED] Equity Incentive Plans and the Post-[REDACTED] Equity Incentive Plan) and (2) the total nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in paragraph (c) below, such mandate to remain in effect during the period from the passing of the resolution until the earliest of the conclusion of our next annual general meeting, the end of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting and the date on which the resolution is varied or revoked by an ordinary resolution of the Shareholders in general meeting (the “**Applicable Period**”);

- (c) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares with a total nominal value of not more than 10% of the total nominal value of the share capital of our Company in issue immediately following completion of the [REDACTED] (but excluding any Shares which may be issued pursuant to the exercise of the [REDACTED] or under the Pre-[REDACTED] Equity Incentive Plans and the Post-[REDACTED] Equity Incentive Plan), such mandate to remain in effect during the Applicable Period;
- (d) the general unconditional mandate mentioned in paragraph (c) above be extended by the addition to the aggregate nominal amount of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (c) above, provided that such extended amount shall not exceed 10% of the aggregate nominal amount of our Company’s share capital in issue immediately following completion of the [REDACTED] (but excluding any Shares which may be issued pursuant to the exercise of the [REDACTED] or under the Pre-[REDACTED] Equity Incentive Plans and the Post-[REDACTED] Equity Incentive Plan);
- (e) all of the authorized Class A Ordinary Shares and Class B Ordinary Shares (including all the then issued and outstanding Class A Ordinary Shares and Class B Ordinary Shares) be converted and re-designated into Ordinary Shares with effect from [REDACTED]; and
- (f) the rules of the Post-[REDACTED] Equity Incentive Plan, the principal terms of which are set forth in “— D. Equity Incentive Plans — 3. Post-[REDACTED] Equity Incentive Plan” in this Appendix, were approved and adopted conditional on

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(1) the [REDACTED] granting the [REDACTED] of, and permission to [REDACTED], the Shares to be issued under the Post-[REDACTED] Equity Incentive Plan and (2) the commencement of [REDACTED] of the Shares on the Main Board of the Stock Exchange, and our Directors were authorized to grant options and/or awards thereunder (as applicable) and to allot, issue and deal with the Shares which may be issued under the Post-[REDACTED] Equity Incentive Plan and to take all such actions as may be necessary and/or desirable to implement and give effect to the Post-[REDACTED] Equity Incentive Plan.

4. Changes in the Share Capital of Our Major Subsidiaries

A summary of the corporate information and the particulars of our Major Subsidiaries are set out in Note 14 to the Accountant’s Report in Appendix I to this document.

The following sets out the changes in the share capital of our Major Subsidiaries during the two years immediately preceding the date of this document:

- (a) On September 29, 2021, the registered capital of Zhejiang Danniao was increased from RMB22,527,007 to RMB98,393,819.
- (b) On August 19, 2022, the registered capital of Zhejiang Yizhan was increased from RMB250,833,333 to RMB273,633,333.
- (c) On September 27, 2022, the registered capital of Hangzhou Xiniao was increased from RMB10,000,000 to RMB18,024,000.

Save as disclosed above, there has been no alteration in the share capital of our Major Subsidiaries within the two years immediately preceding the date of this document. For details of our Major Subsidiaries, see “History and Corporate Structure — Our Major Subsidiaries” in this document.

5. Repurchases of Our Own Securities

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies listed on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) *Shareholders’ Approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

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Pursuant to a resolution passed by our then Shareholders on [●], 2023, a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors authorizing any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of our Company’s share capital in issue immediately following the completion of the [REDACTED] (without taking into account (i) any Shares which may be issued pursuant to the exercise of the [REDACTED] or under the Pre-[REDACTED] Equity Incentive Plans and the Post-[REDACTED] Equity Incentive Plan), such mandate to expire at the conclusion of our next annual general meeting, the date by which our next annual general meeting is required by the Cayman Companies Act or by our Articles of Association or any other applicable laws of the Cayman Islands to be held or when revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever first occurs.

(ii) Source of Funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, any repurchases by our Company may be made out of the profits of our Company, the sum standing to the credit of the share premium account of our Company or out of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Companies Act, out of capital. Any premium payable on a repurchase must be provided for out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Cayman Companies Act, out of capital.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed

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securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities at any time after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Connected Persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their associates and a connected person is prohibited from knowingly selling his securities to the company.

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(b) Reasons for Repurchases

The Directors believe that the ability to repurchase Shares is in the interests of our Company and the Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. The Directors sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining. Repurchases of Shares will only be made when the Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of Repurchases

Repurchases must be funded out of funds lawfully available for the purpose in accordance with the Articles of Association of our Company, the Listing Rules and the applicable laws of the Cayman Islands. There could be a material adverse impact on the working capital and/or gearing position of our Company (as compared with the position disclosed in this document) in the event that the repurchase mandate were to be carried out in full at any time during the share repurchase period. However, the Directors do not propose to exercise the general mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for our Company.

(d) General

The exercise in full of the repurchase mandate, on the basis of [REDACTED] Shares in issue immediately following the completion of the [REDACTED] (assuming that (i) the [REDACTED] is not exercised and (ii) no other Shares are issued under the Pre-[REDACTED] Equity Incentive Plans and the Post-[REDACTED] Equity Incentive Plan), could accordingly result in up to approximately [REDACTED] Shares being repurchased by our Company during the period prior to:

- (i) the conclusion of our next annual general meeting; or
- (ii) the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or
- (iii) the date when the repurchase mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

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None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates has any present intention to sell any Shares to our Company or our subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

No core connected person of our Company has notified our Company that he or she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the repurchase mandate is exercised.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate.

Any repurchase of Shares that results in the number of Shares held by the public falling below 25% of the total number of Shares in issue, being the relevant minimum prescribed percentage as required by the Stock Exchange, could only be implemented if the Stock Exchange agreed to waive the requirement regarding the [REDACTED] under Rule 8.08 of the Listing Rules. However, the Directors have no present intention to exercise the repurchase mandate to such an extent that, under the circumstances, there would be insufficient [REDACTED] as prescribed under the Listing Rules.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this document and are or may be material:

- (a) an exclusive service agreement entered into between Zhejiang Cainiao and Hangzhou Yuehu on August 16, 2023, pursuant to which the Hangzhou Yuehu agreed to engage Zhejiang Cainiao as its exclusive provider of, among other matters, technical support and consultancy services in connection with Hangzhou Yuehu's business in exchange for service fees;

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- (b) a loan agreement entered into between Zhejiang Cainiao and each of the Registered Shareholders on August 16, 2023, pursuant to which Zhejiang Cainiao agreed to provide interest-free loans to each of the Registered Shareholders, which may only be used for the purpose of the business operation activities agreed by Zhejiang Cainiao;
- (c) an exclusive call option agreement entered into among Zhejiang Cainiao, the Registered Shareholders and Hangzhou Yuehu on August 16, 2023, pursuant to which the Registered Shareholders agreed to irrevocably and unconditionally grant an exclusive option to Zhejiang Cainiao so that Zhejiang Cainiao may elect to purchase, when permitted by the then applicable PRC laws, all or any part of the equity interests from the Registered Shareholders and/or all or any of the assets in Hangzhou Yuehu by itself or through its designee(s);
- (d) a powers of attorney on shareholders' voting rights entered into among Zhejiang Cainiao, the Registered Shareholders and Hangzhou Yuehu on August 16, 2023, pursuant to which the Registered Shareholders appointed designee(s) of Zhejiang Cainiao to act as their attorney on their behalf to exercise all rights in connection with matters concerning their right as shareholders of Hangzhou Yuehu;
- (e) an equity interest pledge agreement entered into among Zhejiang Cainiao, each of the Registered Shareholders and Hangzhou Yuehu on August 16, 2023, pursuant to which each of the Registered Shareholders agreed to pledge all their respective equity interests in Hangzhou Yuehu to Zhejiang Cainiao, as a security interest to guarantee the performance of contractual obligations and the payment of outstanding loans of each of the Registered Shareholders;
- (f) an exclusive service agreement entered into between Zhejiang Cainiao and the VIE Entity on September 1, 2023, pursuant to which the VIE Entity agreed to engage Zhejiang Cainiao as its exclusive provider of, among other matters, technical support and consultancy services in connection with the VIE Entity's business in exchange for service fees;
- (g) a loan agreement entered into between Zhejiang Cainiao and Hangzhou Chaohu on August 25, 2023, pursuant to which Zhejiang Cainiao agreed to provide interest-free loans to Hangzhou Chaohu, which may only be used for the purpose of the business operation activities agreed by Zhejiang Cainiao;
- (h) an exclusive call option agreement entered into among Zhejiang Cainiao, Hangzhou Chaohu and the VIE Entity on September 1, 2023, pursuant to which Hangzhou Chaohu agreed to irrevocably and unconditionally grant an exclusive option to Zhejiang Cainiao so that Zhejiang Cainiao may elect to purchase, when permitted by the then applicable PRC laws, all or any part of the equity interests from Hangzhou Chaohu and/or all or any of the assets in the VIE Entity by itself or through its designee(s);

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- (i) a powers of attorney on shareholders’ voting rights entered into among Zhejiang Cainiao, Hangzhou Chaohu and the VIE Entity on September 1, 2023, pursuant to which Hangzhou Chaohu appointed designee(s) of Zhejiang Cainiao to act as its attorney on its behalf to exercise all rights in connection with matters concerning its right as shareholder of the VIE Entity;
- (j) an equity interest pledge agreement entered into among Zhejiang Cainiao, Hangzhou Chaohu and the VIE Entity on September 1, 2023, pursuant to which Hangzhou Chaohu agreed to pledge all its equity interests in the VIE Entity to Zhejiang Cainiao, as a security interest to guarantee the performance of contractual obligations and the payment of outstanding loans of Hangzhou Chaohu; and
- (k) [REDACTED].

2. Intellectual Property Rights of Our Group

We believe the protection of our trademarks, copyrights, domain names, trade names, trade secrets, patents and other proprietary rights is critical to our business. We rely on a combination of trademark, fair trade practice, copyright and trade secret protection laws and patent protection in China and other jurisdictions, as well as confidentiality procedures and contractual provisions to protect our intellectual property and our trademarks. We rigorously control access to our proprietary technology and information.

As of June 30, 2023, we had (i) 889 issued patents and patent applications; (ii) 4,320 granted trademarks and trademark applications; (iii) 278 granted computer software copyrights and (iv) 317 granted domain names. Our material trademarks and domain names include registered trademarks consisting of the brands (and related logos and images) for “Cainiao” (菜鸟) and “菜鸟” (菜鸟), and domain name for cainiao.com.

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C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests of the Directors and the Chief Executive of Our Company

Immediately following the completion of the [REDACTED] (assuming that (i) the [REDACTED] is not exercised and (ii) no other Shares are issued under the Pre-[REDACTED] Equity Incentive Plans and the Post-[REDACTED] Equity Incentive Plan), so far as our Directors are aware, the interests or short positions of the Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are [REDACTED], will be as follows:

(i) Interests in our Company

Name of director	Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding interest immediately following the completion of the [REDACTED] ⁽²⁾
Mr. Lin WAN ⁽³⁾	Beneficial owner	[REDACTED]	[REDACTED]%
Mr. Zheng LIU ⁽⁴⁾	Beneficial owner	[REDACTED]	[REDACTED]%
	Interest in controlled corporation	[REDACTED]	[REDACTED]%

Notes:

- (1) All interests stated are long positions.
- (2) The calculation is based on the total number of [REDACTED] Shares in issue immediately following the completion of the [REDACTED] (assuming that (i) the [REDACTED] is not exercised, (ii) no other Shares are issued under the Pre-[REDACTED] Equity Incentive Plans and the Post-[REDACTED] Equity Incentive Plan and (iii) each Class A Ordinary Share and Class B Ordinary Share is converted into one Share).
- (3) The interest represents [REDACTED] underlying Shares in respect of the share awards granted to Mr. Wan.
- (4) The interest comprises (i) [REDACTED] Shares held by LZRobert Investment Limited, which is directly wholly owned by Mr. Liu; and (ii) [REDACTED] underlying Shares in respect of the options granted to Mr. Liu.

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(ii) *Interests in associated corporations*

The following table sets out the interests of our Directors and chief executives, who are also directors or chief executives of Alibaba, in the shares of Alibaba (“Alibaba Shares”) as of the Latest Practicable Date:

Name of director	Number of Alibaba Shares ⁽¹⁾	Approximate percentage of beneficial ownership ⁽²⁾
Mr. Joseph C. TSAI ⁽³⁾	275,275,752	1.4%
Ms. Shan DAI	*	*
Mr. Fan JIANG	*	*
Mr. Lin WAN	*	*

Notes:

- * This person beneficially owns less than 1% of Alibaba’s outstanding ordinary shares.
- (1) Beneficial ownership information disclosed herein represents direct and indirect holdings of entities owned, controlled or otherwise affiliated with the applicable holder as determined in accordance with the rules and regulations of the SEC and includes the power to direct the voting or the disposition of the securities or to receive the economic benefit of the ownership of the securities. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, Alibaba has included shares underlying the American depositary shares (ADSs) and shares in CCASS held by the person. Alibaba has also included shares that the person has the right to acquire within 60 days, including through the vesting of restricted share units and options. These shares, however, are not included in the computation of the percentage ownership of any other person. Ordinary shares held by a shareholder are determined in accordance with Alibaba’s register of members.
- (2) The calculations of percentage ownership in the table below are based on 20,274,382,712 Alibaba Shares outstanding as of Latest Practicable Date.
- (3) As of the Latest Practicable Date, the 275,275,752 ordinary shares held by Mr. Tsai represents (i) 443,736 ordinary shares held directly by Mr. Tsai, (ii) 13,907,176 ordinary shares held by Joe and Clara Tsai Foundation Limited, that has granted Mr. Tsai a revocable proxy over these shares and which is wholly owned by Joe and Clara Tsai Foundation, (iii) 147,385,672 ordinary shares held by Parufam Limited and over which, Mr. Tsai, as a director of Parufam Limited, has been delegated sole voting and disposition power and (iv) 113,539,168 ordinary shares held by PMH Holding Limited and over which, Mr. Tsai, as sole director of PMH Holding Limited, has voting and dispositive power. Mr. Tsai does not have any pecuniary interests in the 13,907,176 ordinary shares held by Joe and Clara Tsai Foundation Limited.

The following table sets out our other Directors’ and chief executives’ interests in the associated corporations:

Name of director	Name of associated corporation	Nature of interest	Number of shares ⁽¹⁾	Approximate percentage of shareholding interest
Mr. Zheng LIU ⁽²⁾	Alibaba	Beneficial owner	86,769	0.00%

Notes:

- (1) All interests stated are long positions.
- (2) The interest comprises (i) 74,144 ordinary shares of Alibaba held by Mr. Liu; and (ii) 12,625 underlying shares in respect of the restricted share units granted to Mr. Liu.

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(b) Interests of the Substantial Shareholders

The following table sets out the persons (other than us, our Directors or chief executive of our Company) who are, so far as our Directors and chief executive are aware, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Consolidated Affiliated Entities as of the Latest Practicable Date:

<u>Name of substantial shareholder</u>	<u>Name of entity</u>	<u>Nature of interest</u>	<u>Amount of contribution to registered capital</u>	<u>Approximate percentage of equity interest</u>
Mr. Qiang LI ⁽¹⁾	Hangzhou	Beneficial	RMB250,000	50%
	Yuehu	owner		
	Hangzhou Chaohu	Interest in controlled corporation	RMB250,000	50%
	Hangzhou Cainiao	Interest in controlled corporation	RMB5,000,000	50%
Ms. Hong LIU ⁽²⁾	Hangzhou	Beneficial	RMB250,000	50%
	Yuehu	owner		
	Hangzhou Chaohu	Interest in controlled corporation	RMB250,000	50%
	Hangzhou Cainiao	Interest in controlled corporation	RMB5,000,000	50%

Notes:

- (1) Mr. Li holds 50% of the equity interest in Hangzhou Yuehu, which holds 100% of the equity interest in Hangzhou Chaohu. Hangzhou Chaohu holds 100% of the equity interest in Hangzhou Cainiao.
- (2) Ms. Liu holds 50% of the equity interest in Hangzhou Yuehu, which holds 100% of the equity interest in Hangzhou Chaohu. Hangzhou Chaohu holds 100% of the equity interest in Hangzhou Cainiao.

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Save as disclosed above and in the sections headed “History and Corporate Structure” and “Substantial Shareholders” in this document, immediately following the completion of the [REDACTED] (assuming that (i) the [REDACTED] is not exercised and (ii) no other Shares are issued under the Pre-[REDACTED] Equity Incentive Plans and the Post-[REDACTED] Equity Incentive Plan), our Directors or chief executive are not aware of any other person (other than a Director or chief executive of our Company) who will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

2. Directors’ Service Contracts and Letters of Appointment

Each of our executive Directors has entered into a service contract with our Company on [●], 2023 and we have issued letters of appointment to each of our non-executive Directors and each of our independent non-executive Directors. The service contracts with each of our executive Directors and the letters of appointment with each of our non-executive Directors are for an initial fixed term of three years commencing from the [REDACTED]. The letters of appointment with each of our independent non-executive Directors are for an initial fixed term of three years. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable Listing Rules.

Save as disclosed above, none of our Directors has entered, or has proposed to enter, into any service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

3. Directors’ Remuneration

The aggregate amount of remuneration paid to the Directors for the years ended March 31, 2021, 2022 and 2023 and the three months ended June 30, 2023 were approximately RMB18 million, RMB76 million, RMB68 million and RMB12 million, respectively.

Save as disclosed above, no other payments have been made or are payable, in respect of the years ended March 31, 2021, 2022 and 2023 and the three months ended June 30, 2023, by any of member of the Group to any of the Directors.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of the Directors for the year ending March 31, 2024 to be approximately RMB109 million.

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4. Disclaimers

Save as disclosed in this document:

- (a) none of the Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange, once the Shares are [REDACTED] on the Stock Exchange;
- (b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group;
- (c) none of the Directors nor any of the persons listed in “— E. Other Information — 5. Qualification of Experts” below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this document, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (d) none of the Directors nor any of the persons listed in “— E. Other Information — 5. Qualification of Experts” below is materially interested in any contract or arrangement with the Group subsisting at the date of this document which is unusual in its nature or conditions or which is significant in relation to the business of the Group as a whole;
- (e) save in connection with [REDACTED], none of the persons listed in “— E. Other Information — 5. Qualification of Experts” below has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (f) none of the Directors has entered or has proposed to enter into any service agreements with our Company or any member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and

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- (g) to the best of our knowledge, other than (i) Mr. Joseph C. TSAI, who owned an equity interest of approximately 1.4% in Alibaba as of the Latest Practicable Date; (ii) each of our other executive Directors and non-executive Directors who owned an insignificant interest in Alibaba Group; and (iii) Mr. Guojun Shen, who had an insignificant interest in Alibaba as of the Latest Practicable Date, as disclosed in the section headed “Our Business — Our Customers” in this document, none of our Directors, their associates or any of our Shareholders who held more than 5% of our share capital had any interest in any of our five largest customers and five largest suppliers.

D. EQUITY INCENTIVE PLANS

1. 2015 Plan

We adopted the 2015 Plan as approved by our Board on December 30, 2015, as amended from time to time. The terms of the 2015 Plan are not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve the grant of options or awards by our Company to subscribe for new Shares upon [REDACTED]. Save for the Awards which have been granted, no further Awards will be granted under the 2015 Plan on or after the [REDACTED].

We have applied for[, and have been granted,] (i) a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of and paragraph 27 of Appendix IA to the Listing Rules; and (ii) an exemption from the SFC from strict compliance with the disclosure requirements of paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. See “Waivers from Strict Compliance with the Listing Rules and Exemptions from the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Waiver in respect of the Pre-[REDACTED] ESOP Disclosure Requirements” for further information.

The principal terms of the 2015 Plan are as follows:

(a) *Purpose*

The purpose of the 2015 Plan is to enable the Company to attract and retain the services of directors, employees and consultants considered essential to the success of the Company, its subsidiaries and its related entities (as defined in the 2015 Plan) by providing additional incentives to promote the success of the Group as a whole.

(b) *Eligible Participants*

The Awards (as defined below) may be granted to directors, employees or consultants of the Company, its subsidiaries or its related entities.

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(c) Scheme Limit

The maximum aggregate number of Class A Ordinary Shares which may be subject to Awards under the 2015 Plan is 1,000,000,000 Class A Ordinary Shares.

(d) Administration

The 2015 Plan shall be administered by the Board, the compensation committee of the Board or their delegate. The administrator has the power and authority to determine, among others, the participants to whom Awards may be granted, the type or types of Awards to be granted to each participant, the number of Class A Ordinary Shares to be covered by each such Award granted and terms and conditions of any Award granted under the 2015 Plan. The administrator may from time to time delegate to a committee of one or more members of the Board or one or more officers of the Company the authority to grant or amend Awards or to take other administrative actions.

(e) Vesting Period

The period during which an Award vests shall be set by the administrator. The administrator may determine that an Award may not vest in whole or in part for a specified period after it is granted. Such vesting may be based on service with any member of the Group or the Related Entities or any other criteria selected by the administrator. At any time after grant of an Award, the administrator may, in its sole discretion and subject to whatever terms and conditions it selects, accelerate the period during which an Award vests.

(f) Awards

The 2015 Plan permits the award of dividend equivalent, option, restricted share, RSU, share appreciation right or share payment (the "Awards" and each an "Award"). The term of each Award shall be stated in the award agreement, provided that the term shall be no more than 10 years from the date of grant thereof (subject to any extension determined by the administrator). All Awards shall be evidenced by an award agreement setting forth the number of Class A Ordinary Shares subject to the Award and the terms and conditions of the Award, which shall not be inconsistent with the 2015 Plan.

(g) Exercise Price of Options

The exercise price per share subject to an option shall be determined by the administrator which, unless otherwise determined by the administrator, may be a fixed or variable price determined by reference to the fair market value of Class A Ordinary Shares over such option is granted, subject to the terms of the 2015 Plan.

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(h) Voting and Dividend Rights

For options and share appreciation rights, until Class A Ordinary Shares are issued by entry in the Company's register of members, no right to vote or receive dividends or any other rights as a Shareholder shall exist with respect to Class A Ordinary Shares, notwithstanding the exercise of the option or share appreciation rights (as the case may be).

For restricted shares, once the restricted shares are issued, subject only to the restrictions on Class A Ordinary Shares as provided in the award agreement, the participant shall have rights equivalent to those of a Shareholder and shall be a Shareholder when purchase of the restricted shares is entered upon entry in the Company's register of members or upon the records of the duly authorized transfer agent of the Company.

For RSUs, until Class A Ordinary Shares are issued in settlement of the RSUs, the participant shall not have any rights as a shareholder with respect to such Class A Ordinary Shares.

(i) Transferability

Awards (and any interest therein) will not be transferable or assignable by the participant, and may not be made subject to execution, attachment or similar process, provided that (i) during a participant's lifetime, with the consent of the administrator (on such terms and conditions as the administrator determines appropriate), the participant may transfer Awards pursuant to domestic relations order in the settlement of marital property rights, (ii) the administrator may permit transfer of an Award in its sole discretion under such circumstances as it deems appropriate, and (iii) following a participant's death, Awards (to the extent they are vested upon the participant's death) may be transferred by will or by the laws of descent and distribution.

(j) Cancellation and Termination of Awards

Unless otherwise specified in the award agreement or otherwise determined by the administrator, Awards shall be deemed cancelled, be cancelled or terminate (as the case may be) upon the occurrence of the following events:

- **Termination of relationship as an eligible participant:** Where a participant's status as an eligible participant terminates, if, on the date of termination, the participant is not vested as to his or her entire Award, the unvested portion of such Award shall be deemed cancelled and Class A Ordinary Shares covered by the unvested portion of the Award shall revert to the 2015 Plan and again be available for grant or award thereunder. If, after termination, the participant

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does not exercise his or her Award within the time specified by the administrator, the Award shall terminate, and Class A Ordinary Shares covered by such Award shall revert to the 2015 Plan and again be available for grant or award thereunder;

- **Disability of participant:** Where a participant's status as an eligible participant terminates as a result of the participant's disability, if, on the date of termination, the participant is not vested as to his or her entire Award, the unvested portion of such Award shall be deemed cancelled and Class A Ordinary Shares covered by the unvested portion of the Award shall revert to the 2015 Plan and again be available for grant or award thereunder. If, after termination, the participant does not exercise his or her Award within the time specified herein, the Award shall terminate, and Class A Ordinary Shares covered by such Award shall revert to the 2015 Plan and again be available for grant or award thereunder;
- **Death of participant:** Where a participant dies while being an eligible participant, if, at the time of death, the participant is not vested as to the entire Award, the unvested portion of such Award shall be deemed cancelled and Class A Ordinary Shares covered by the unvested portion of the Award shall immediately revert to the 2015 Plan and again be available for grant or award thereunder. If the Award is not so exercised within the time specified in the 2015 Plan, the Award shall terminate, and Class A Ordinary Shares covered by such Award shall revert to the 2015 Plan and again be available for grant or award thereunder;
- **Termination for cause:** Subject to the applicable laws and rules, if a participant is terminated for cause, all unexercised options or share appreciation rights (whether vested or unvested) and all unvested Awards shall be cancelled as of the date of such termination. Any such Class A Ordinary Shares covered by cancelled Awards shall revert to the 2015 Plan and again be available for grant or award thereunder; and
- **Dissolution or liquidation of the Company:** In the event of the proposed dissolution or liquidation of the Company, the administrator shall notify each participant as soon as practicable prior to the effective date of such proposed dissolution or liquidation. The administrator (i) may provide for a participant to have the right to exercise his or her option or share appreciation right and (ii) may provide that any vesting condition applicable to any restricted shares shall lapse as to all such restricted shares and any Class A Ordinary Shares issuable under any RSUs, or as share payments shall be issued as of such date. To the extent it has not been previously exercised or paid out, all Awards will terminate immediately prior to the consummation of such proposed dissolution or liquidation.

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In addition, the administrator may cancel an Award or any portion thereof if it determines, in its sole discretion, that legal or contractual restrictions and/or blockage and/or other market considerations would make the Company's acquisition of Class A Ordinary Shares from the public markets, the Company's issuance of Class A Ordinary Shares to the participant, the participant's acquisition of Class A Ordinary Shares from the Company, and/or the participant's sale of Class A Ordinary Shares to the public markets, illegal, impracticable or inadvisable.

(k) Clawback

If a participant joins a competitor, is terminated for cause, commits any manager nonfeasance or has violated any obligations under any award agreement, then (i) all Awards (whether vested or unvested) shall be cancelled as of the date of termination of the participant as an eligible participant, (ii) all Class A Ordinary Shares issued pursuant to any Award (or a portion thereof) shall be subject to repurchase by the Company at the price or value as specified in the 2015 Plan; and (iii) all proceeds, gains or other economic benefit actually or constructively received by the participant upon any receipt or exercise of any Awards (or a portion thereof) or upon the receipt or resale of any Class A Ordinary Shares underlying any Award or a portion thereof), must be paid to the Company.

(l) Adjustments

Subject to any required action by the Shareholders of the Company, the number of Class A Ordinary Shares covered by each outstanding Award, the number of Class A Ordinary Shares which have been authorized for issuance under the 2015 Plan (but as to which no Awards have yet been granted or which have been returned to the 2015 Plan upon cancellation or expiration of an Award), the number of Class A Ordinary Shares subject to grant as incentive stock options and the price per share covered by each such outstanding Award shall be proportionally and equitably adjusted for any increase or decrease in the number of issued shares resulting from a sub-division or consolidation, stock dividend, amalgamation, spin-off, arrangement or consolidation, combination or reclassification of shares. Additionally, in the event of any other increase or decrease in the number of issued shares effected without consideration by the Company, then the number of Class A Ordinary Shares covered by each outstanding Award, the number of Class A Ordinary Shares which have been authorized for issuance under the 2015 Plan but as to which no Awards have yet been granted or which have been returned to the 2015 Plan upon cancellation or expiration of an Award and the limitations on the number of Class A Ordinary Shares subject to grant as incentive stock options, as well as the price per share covered by each outstanding Award may be adjusted for any increase or decrease in the number of issued shares resulting therefrom.

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(m) Amendments to and Termination of the 2015 Plan

The 2015 Plan shall become effective as determined by the Board and shall continue in effect for a term of 10 years unless terminated earlier.

The Board in its sole discretion may terminate the 2015 Plan at any time. The Board may amend the 2015 Plan at any time in such respects as the Board may deem advisable, provided that to the extent necessary and desirable to comply with applicable laws or stock exchange rules, the Company shall obtain shareholders' approval of any amendments to the 2015 Plan in such a manner and to such a degree as required.

Subject to the 2015 Plan, any amendment to or termination of the 2015 Plan shall not affect Awards previously granted or issued, and such Awards shall remain in full force and effect as if the 2015 Plan had not been amended or terminated, unless mutually agreed otherwise between the affected participant and the Company.

2. 2018 Plan

We adopted the 2018 Plan as approved by our Board on October 31, 2018, as amended from time to time. The terms of the 2018 Plan are not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve the grant of options or awards by our Company to subscribe for new Shares upon [REDACTED]. Save for the Awards which have been granted, no further Awards will be granted under the 2018 Plan on or after the [REDACTED].

We have applied for[, and have been granted,] (i) a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of and paragraph 27 of Appendix IA to the Listing Rules; and (ii) an exemption from the SFC from strict compliance with the disclosure requirements of paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. See "Waivers from Strict Compliance with the Listing Rules and Exemptions from the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Waiver in respect of the Pre-[REDACTED] ESOP Disclosure Requirements" for further information.

The principal terms of the 2018 Plan are similar to those of the 2015 Plan except for the following:

- (a) Class B Ordinary Shares (rather than Class A Ordinary Shares) are subject to Awards under the 2018 Plan;
- (b) Awards may be granted to (i) directors, employees or consultants of the Company, its subsidiaries or its related entities, as well as (ii) employees, officers, consultants, directors, shareholders or other persons of the entities merged, acquired or invested by the Company, its subsidiaries or its related entities, as determined by the administrator;

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- (c) the maximum aggregate number of Class B Ordinary Shares which may be subject to Awards under the 2018 Plan is 2,135,000,000 Class B Ordinary Shares;
- (d) in any circumstances, the exercise price per share subject to an option granted under the 2018 Plan may not be reduced to less than the par value of Class B Ordinary Share;
- (e) for RSUs, until Class B Ordinary Shares are issued in settlement of RSUs by entry in the Company's register of members, no right to receive dividends or any other rights as a Shareholder shall exist with respect to such Class B Ordinary Shares;
- (f) Awards (and any interest therein) will not be transferable or assignable by the participant, and may not be made subject to execution, attachment or similar process, provided that (i) during a participant's lifetime, with the consent of the administrator (on such terms and conditions as the administrator determines appropriate), the participant may transfer Awards pursuant to domestic relations order in the settlement of marital property rights, (ii) the administrator may permit transfer of an Award to Family Members (as defined in the 2018 Plan) in its sole discretion under such circumstances as it deems appropriate, and (iii) following a participant's death, Awards (to the extent they are vested upon the participant's death) may be transferred by will or by the laws of descent and distribution;
- (g) in the event of the proposed dissolution or liquidation of the Company, to the extent it has not been previously exercised or paid out, all Awards will terminate immediately prior to the commencement of such proposed dissolution or liquidation;
- (h) the 2018 Plan shall become effective upon the adoption of the 2018 Plan by the Board and shall continue in effect for a term of 10 years from the date adopted by the Board unless terminated earlier; and
- (i) subject to the 2018 Plan, the termination of the 2018 Plan shall not affect Awards previously granted or issued, and such Awards shall remain in full force and effect as if the 2018 Plan had not been terminated, unless mutually agreed otherwise between the affected participant and the Company. Any amendment to the 2018 Plan shall be applicable to Awards and Class B Ordinary Shares underlying such Awards previously granted or issued, unless otherwise determined by the Company.

3. Post-[REDACTED] Equity Incentive Plan

We have conditionally adopted the Post-[REDACTED] Equity Incentive Plan as approved by our Shareholders on [●] and its implementation is conditional on the [REDACTED]. The terms of the Post-[REDACTED] Equity Incentive Plan is subject to the provisions of Chapter 17 of the Listing Rules.

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The principal terms of the Post-[REDACTED] Equity Incentive Plan are as follows:

(a) Purpose

The purpose of the Post-[REDACTED] Equity Incentive Plan is to enable the Company to attract and retain the services of directors, employees and service providers considered essential to the success of the Company, its subsidiaries and its related entities (the "**Related Entities**", which include any holding companies, fellow subsidiaries or any associated companies of the Company under relevant accounting standards or policies adopted by the Company) by providing additional incentives to promote the success of the Group as a whole.

(b) Eligible Participants

The Awards may be granted to (i) directors or employees of the Company or its subsidiaries, (ii) directors or employees of the Related Entities, or (iii) any individuals providing services to the Company and its subsidiaries on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of the Group (including any individual who is engaged by a member of the Group under a consultant service contract to provide consulting services (such as IT, finance, technology, strategy, management) and business development related services to the Company or its subsidiaries) (the "**Service Providers**").

For the avoidance of doubt, the Service Providers shall exclude any placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions and auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity.

The eligibility of Service Providers shall be determined by the Board or its delegate(s) taking into account a wide range of factors, including but not limited to their potential and/or actual contribution to the success and growth of the Group, their length of collaborative relationship with the Group, their specific skills or technical knowledge, their individual performance and the importance to retain their services. In particular, the Company will, through the grant of Awards, provide incentive and reward to the Service Providers based on (i) their participation and involvement in promoting the business of the Group; (ii) the provision of quality services as well as timely market intelligence to the Group in their capacity; and/or (iii) whether they will contribute to the medium to long term business development of the Group.

(c) Scheme Limit

The maximum aggregate number of Shares which may be issued in respect of all Awards to be granted under the Post-[REDACTED] Equity Incentive Plan and any other incentive plans of the Company is [REDACTED] Shares, representing approximately 10% of the Shares in issue as of the [REDACTED] (the "**Scheme Mandate Limit**"). Out

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of the Scheme Mandate Limit, the maximum aggregate number of Shares which may be issued in respect of all Awards to be granted under the Post-[REDACTED] Equity Incentive Plan and any other incentive plans of the Company to Service Providers shall not exceed [REDACTED] Shares, representing approximately [REDACTED]% of the Shares in issue as of the [REDACTED] (the "**Service Provider Sublimit**").

The Company may refresh or grant Awards involving issue of Shares beyond the Scheme Mandate Limit and the Service Provider Sublimit as permitted and subject to the requirements under the applicable laws and rules (including but not limited to Rule 17.03C of the Listing Rules). If an Award (or any portion thereof) lapses in accordance with the terms of the Post-[REDACTED] Equity Incentive Plan, any Shares subject to the Award (or such portion thereof) shall not be regarded as utilized for the purpose of calculating the Scheme Mandate Limit and the Service Provider Sublimit and shall again be available for the grant of an Award pursuant to the Post-[REDACTED] Equity Incentive Plan (unless the Post-[REDACTED] Equity Incentive Plan has terminated).

(d) Maximum Entitlement of Each Individual

No individual participant shall be granted Awards where such grant will result in the aggregate number of Shares issued and to be issued to such participant (excluding any Awards lapsed in accordance with the terms of the Post-[REDACTED] Equity Incentive Plan) in the 12-month period up to and including the date of such grant to exceed 1% of the total number of Shares in issue as at the date of such grant (the "**Individual Limit**"), unless such grant is separately approved by the Shareholders in general meeting.

(e) Grant of Awards to Connected Persons

Any grant of Awards to any director, chief executive or substantial shareholder of the Company, or any of their respective associates, shall be subject to the prior approval of the independent non-executive directors of the Company (excluding any independent non-executive director who is the proposed grantee of such Awards).

Where (i) any grant of Awards (excluding grant of options) to any director (other than an independent non-executive director) or chief executive of the Company (or any of their associates) would result in the Shares issued and to be issued in respect of all Awards granted (excluding any Awards lapsed in accordance with the terms of the Post-[REDACTED] Equity Incentive Plan) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue at the date of such grant, or (ii) any grant of Awards to an independent non-executive director or a substantial shareholder of the Company (or any of their respective associates) would result in the number of Shares issued and to be issued in respect of all Awards granted (excluding any Awards lapsed in accordance with the terms of the Post-[REDACTED] Equity Incentive Plan) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of Shares in issue, such further grant of Awards must be approved by Shareholders in general meeting.

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(f) Administration

The Post-[REDACTED] Equity Incentive Plan shall be administered by the Board, the remuneration committee of the Board or their delegate. The administrator has the power and authority to determine, among others, the participants to whom Awards may be granted, the type or types of Awards to be granted to each participant and the number of Shares subject thereto, the exercise price of an option, the base price of a share appreciation right and terms and conditions of any Award granted under the Post-[REDACTED] Equity Incentive Plan. The administrator may from time to time delegate to one or more officers of the Company the authority to grant or amend Awards or to take other administrative actions.

(g) Vesting Period

The period during which an Award vests shall be set by the administrator, provided that the vesting period shall be not less than 12 months (unless otherwise determined by the Board or the remuneration committee as detailed below). The administrator may determine that an Award may not vest in whole or in part for a specified period after it is granted. Such vesting may be based on service with any member of the Group or the Related Entities or any other criteria selected by the administrator.

Where an Award is to be granted to a director or employee of the Company or its subsidiaries, the Board (or the remuneration committee where an Award relates to the directors and/or senior management of the Company) may, at its discretion, determine a shorter period during which an Award vests or that an Award may be vested upon the grant of the Award under specific circumstances set out in the Post-[REDACTED] Equity Incentive Plan, including but not limited to where the Awards are subject to performance-based vesting conditions and where the Awards are subject to a total vesting and holding period of 12 months or more. The Board and the remuneration committee of the Company believe that the ability to provide for flexible accelerated vesting period of Awards under these specific circumstances (i) may further incentivize such eligible participants to strive for better work quality by directly linking their performance with vesting conditions, and therefore contribute to the growth and promote the success of the business of the Group, and (ii) will enable the Group to provide competitive remuneration packages to attract and retain the services of talents to continuously serve the Group, which is considered appropriate and align with the purpose of the Post-[REDACTED] Equity Incentive Plan.

Subject to the Post-[REDACTED] Equity Incentive Plan and the approval by the original body which approved the grant, at any time after grant of an Award, the administrator may (subject to the terms and conditions of the grant and compliance with the applicable laws and rules) accelerate the period during which an Award vests.

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(h) Awards

The Post-[REDACTED] Equity Incentive Plan permits the award of dividend equivalent, option, restricted share, RSU, share appreciation right or share payment. The term of each Award shall be stated in the award agreement, provided that the term shall be no more than 10 years from the date of grant thereof.

All Awards shall be evidenced by an award agreement setting forth the number of Shares subject to the Award and the terms and conditions of the Award, including, where applicable, any period within which a grant may be valid for acceptance by the grantee, any method of acceptance, any amount payable on acceptance, and any performance targets based on various key performance indicators with respect to, among others, operations, finance, business and/or other metrics which are designed to motivate and reward contribution to the Company and its subsidiaries that needs to be achieved before the Award can be vested, which shall not be inconsistent with the Post-[REDACTED] Equity Incentive Plan.

(i) Exercise Price of Options

The exercise price per Share subject to an option shall be determined by the administrator which, unless otherwise determined by the administrator, may be a fixed or variable price determined by reference to the fair market value of the Shares. In any event and subject to the terms of in the Post-[REDACTED] Equity Incentive Plan, the exercise price per Share shall not be less than the par value of the Share and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant (which must be a business day); and (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

(j) Restrictions on the Time of Grant of Awards

A grant of Awards may not be made when inside information has come to the knowledge of the Company until (and including) the trading day after such inside information has been announced in accordance with the requirements of the Listing Rules. In particular, no Awards may be granted during the period commencing 1 month immediately before the earlier of (i) the date of the Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending in the date of such results announcement.

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(k) Voting and Dividend Rights

Until the grantee is registered as a holder of Shares (by entry in the Company's register of members), no right to vote or receive dividends (or distributions made upon the liquidation of the Company) or any other rights as a Shareholder shall exist with respect to the Shares, notwithstanding the vesting of the Award.

(l) Transferability

Awards (and any interest therein) will not be transferable or assignable by the grantee, and may not be made subject to execution, attachment or similar process, provided that (i) subject to waiver and agreement of the relevant regulatory authorities, the administrator may allow a transfer to a vehicle (such as a trust or a private company) for the benefit of the grantee and any family members of such grantee in compliance with the Listing Rules and (ii) any such transferee shall be bound by the terms of the Post-[REDACTED] Equity Incentive Plan as if the transferee were the grantee.

(m) Lapse of Awards

Unless otherwise specified in the award agreement or otherwise determined by the administrator, Awards shall lapse upon the occurrence of the following events:

- **Termination of relationship as an eligible participant:** Where a grantee's status as an eligible participant terminates, if, on the date of termination, the grantee is not vested as to his or her entire Award, the unvested portion of such Award shall lapse and the Shares covered by the unvested portion of the Award shall revert to the Post-[REDACTED] Equity Incentive Plan and again be available for grant or award thereunder. If, after termination, the grantee does not exercise his or her Award within the time specified by the administrator, the Award shall lapse, and the Shares covered by such Award shall revert to the Post-[REDACTED] Equity Incentive Plan and again be available for grant or award thereunder;
- **Disability of grantee:** Where a grantee's status as an eligible participant terminates as a result of the grantee's disability, if, on the date of termination, the grantee is not vested as to his or her entire Award, the unvested portion of such Award shall lapse and the Shares covered by the unvested portion of the Award shall revert to the Post-[REDACTED] Equity Incentive Plan and again be available for grant or award thereunder. If, after termination, the grantee does not exercise his or her Award within the time specified herein, the Award shall lapse, and the Shares covered by such Award shall revert to the Post-[REDACTED] Equity Incentive Plan and again be available for grant or award thereunder;
- **Death of grantee:** Where a grantee dies while being an eligible participant, if, at the time of death, the grantee is not vested as to the entire Award, the unvested portion of such Award shall lapse and the Shares covered by the

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unvested portion of the Award shall immediately revert to the Post-[REDACTED] Equity Incentive Plan and again be available for grant or award thereunder. If the Award is not so exercised within the time specified in the Post-[REDACTED] Equity Incentive Plan, the Award shall lapse, and the Shares covered by such Award shall revert to the Post-[REDACTED] Equity Incentive Plan and again be available for grant or award thereunder;

- **Termination for cause:** Subject to the applicable laws and rules, if a grantee is terminated for cause, the unexercised options or share appreciation rights (whether vested or unvested) and other unvested Awards (or a portion thereof) shall immediately lapse as of the date of such termination or any such date as determined by the administrator in its sole discretion and shall no longer be exercisable. Any of these lapsed Awards shall revert to the Post-[REDACTED] Equity Incentive Plan and again be available for grant or award thereunder; and
- **Dissolution or liquidation of the Company:** In the event of the proposed dissolution or liquidation of the Company, the administrator shall notify each grantee as soon as practicable prior to the effective date of such proposed dissolution or liquidation. The administrator (i) may provide for a grantee to have the right to exercise his or her option or share appreciation right and (ii) may provide that any vesting condition applicable to any restricted shares shall lapse as to all such restricted shares and any Shares issuable under any RSUs, or as share payments shall be issued as of such date. To the extent it has not been previously exercised or paid out, all Awards will lapse immediately prior to the commencement of such proposed dissolution or liquidation.

(n) Clawback

If a grantee joins a competitor, is terminated for cause, commits any manager nonfeasance or has violated any obligations under any award agreement, then subject to the applicable laws and rules (including the Listing Rules) and unless otherwise determined by the administrator, (i) the unexercised options or share appreciation rights (whether vested or unvested) and other unvested Awards (or a portion thereof) shall immediately lapse as of the date of termination of the grantee as an eligible participant or any such date as determined by the administrator; (ii) all Shares issued pursuant to any Award (or a portion thereof) shall be transferred back to the nominee as designated by the Company at the price or value as specified in the Post-[REDACTED] Equity Incentive Plan; and/or (iii) all proceeds, gains or other economic benefit actually or constructively received by the grantee upon any receipt or exercise of any Awards (or a portion thereof) or upon the receipt or resale of any Shares underlying any Award or a portion thereof, must be paid to the Company.

(o) Adjustments

Subject to any required action by the Shareholders, the number of Shares covered by each outstanding Award, the number of Shares which have been authorized for issuance under the Post-[REDACTED] Equity Incentive Plan (but as to which no Awards have yet

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been granted or which have been returned to the Post-[REDACTED] Equity Incentive Plan upon expiration and lapse of an Award), the number of Shares subject to grant as incentive stock options and the price per Share covered by each such outstanding Award shall be proportionally and equitably adjusted for any increase or decrease in the number of issued Shares resulting from a capitalization issue, rights issue, sub-division or consolidation of shares or reduction of capital, or any other increase or decrease in the number of issued Shares effected without receipt of consideration by the Company.

(p) Cancellation of Awards

The administrator may cancel an Award or any portion thereof if it determines, in its sole discretion, that legal or contractual restrictions and/or blockage and/or other market considerations would make the Company's acquisition of Shares from the public markets, the Company's issuance of the Shares to the participant, the participant's acquisition of the Shares from the Company, and/or the sale of Shares by the participant or the nominee designated by the Company (as applicable) to the public markets, illegal, impracticable or inadvisable. For the avoidance of doubt, any Awards cancelled will be regarded as utilized for the purpose of calculating the Scheme Mandate Limit and the Service Provider Sublimit.

(q) Amendments

The Board may amend the Post-[REDACTED] Equity Incentive Plan at any time in such respects as the Board may deem advisable, provided that (i) the terms of the Post-[REDACTED] Equity Incentive Plan or the Awards so altered must comply with the applicable laws and rules (including the Listing Rules), and (ii) if required to comply with the applicable laws and rules (including the Listing Rules), including where any alterations to the terms and conditions of the Post-[REDACTED] Equity Incentive Plan which are of a material nature or any alterations relating to matters as specified in the Listing Rules to the extent that such alteration or amendment operates to the advantage of the participants, the Company shall obtain Shareholders' approval of any Post-[REDACTED] Equity Incentive Plan amendment in such a manner and to such a degree as required. Any amendment or alteration to the terms of any Award the grant of which was subject to the approval of a particular body (such as the Board, the remuneration committee, the independent non-executive Directors or the Shareholders in general meeting (as the case may be)) shall be subject to approval by that same body, provided that such requirement is not applicable where the relevant alteration takes effect automatically under existing terms of the Post-[REDACTED] Equity Incentive Plan.

Any change to the authority of the Board or the administrators to alter the terms of the Post-[REDACTED] Equity Incentive Plan must be approved by the Shareholders in general meeting. Any amendment of the Post-[REDACTED] Equity Incentive Plan shall be applicable to Awards and the Shares underlying such Awards previously granted or issued, including those granted but remain unexercised, as the case may be, unless otherwise determined by the Company.

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(r) Duration and Termination

The Post-[REDACTED] Equity Incentive Plan shall become effective on the [REDACTED] and shall continue in effect for a term of 10 years unless terminated earlier.

The Board in its sole discretion may terminate the Post-[REDACTED] Equity Incentive Plan at any time. Subject to the Post-[REDACTED] Equity Incentive Plan and compliance with the applicable laws and rules, the termination of the Post-[REDACTED] Equity Incentive Plan shall not affect Awards previously granted and remaining unexercised and unexpired, and such Awards shall remain in full force and effect as if the Post-[REDACTED] Equity Incentive Plan had not been terminated to the extent necessary to give effect to the vesting and exercise of any such Awards, unless mutually agreed otherwise between the affected participant and the Company.

4. Outstanding Options Granted under the Pre-[REDACTED] Equity Incentive Plans

As of the Latest Practicable Date, the aggregate number of underlying Shares pursuant to the outstanding options granted under the Pre-[REDACTED] Equity Incentive Plans is 1,922,720,660 Shares, representing approximately [REDACTED]% of the issued Shares immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no Shares are issued under the Pre-[REDACTED] Equity Incentive Plans and the Post-[REDACTED] Equity Incentive Plan). These outstanding options are held by a total of 10,774 grantees, who are Directors, senior management, other connected persons of our Company and other employees, consultants and/or other service providers of our Group and Alibaba Group and their associated companies (as the case may be). No consideration was payable by the grantees for the grant of the options under the Pre-[REDACTED] Equity Incentive Plans. As of the Latest Practicable Date, the aggregate number of underlying Shares pursuant to the outstanding RSUs granted under the Pre-[REDACTED] Equity Incentive Plans is 28,522,230 Shares held by a total of 99 grantees, representing approximately [REDACTED]% of the issued Shares immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no Shares are issued under the Pre-[REDACTED] Equity Incentive Plans and the Post-[REDACTED] Equity Incentive Plan).

Assuming full vesting and exercise of all outstanding awards and options granted under the Pre-[REDACTED] Equity Incentive Plans, the shareholding of our Shareholders immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no Shares are issued under the Post-[REDACTED] Equity Incentive Plan) will be diluted by approximately [REDACTED]%. The dilution effect on our earnings per Share would be approximately [REDACTED]%.

Subject to the Board's approval, our Company plans to further grant options to Mr. Lin WAN, our executive Director and Chief Executive Officer, before [REDACTED] hearing at an exercise price as determined by the Board at the time of grant.

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The table below shows the details of the outstanding options granted to the Directors, senior management and other connected persons of our Company under the 2015 Plan as of the Latest Practicable Date:

<u>Name</u>	<u>Position(s)</u>	<u>Address</u>	<u>Date of grant</u>	<u>Vesting period⁽²⁾</u>	<u>Exercise price (per Share)</u>	<u>Number of Shares underlying the outstanding options</u>	<u>Approximate percentage of issued Shares immediately following completion of [REDACTED]⁽¹⁾</u>
<i>Director</i>							
Mr. Zheng LIU (劉政)	Executive Director and Chief Financial Officer	Room 402, Unit 4, Building 27, Xixidieyuan, Xihu District, Hangzhou, Zhejiang Province, PRC	September 30, 2018	3.8 years from date of grant	[REDACTED]	[REDACTED]	[REDACTED]%
<i>Other connected persons of the Company</i>							
Mr. Jian SUN (孫建)	General manager of a subsidiary	Room 1201, Building 6, Bafangcheng, Yuhang District, Hangzhou, Zhejiang Province, PRC	April 30, 2018	4 years from date of grant	[REDACTED]	[REDACTED]	[REDACTED]%
Mr. Yuedong XU (徐躍東)	Director of a subsidiary	Room 102, No. 14, Lane 1588, Zhengli Road, Yangpu District, Shanghai, PRC	April 30, 2018	4 years from date of grant	[REDACTED]	[REDACTED]	[REDACTED]%
Subtotal	3 grantees					[REDACTED]	[REDACTED]%

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Notes:

- (1) Assuming the [REDACTED] is not exercised and no Shares are issued under the Pre-[REDACTED] Equity Incentive Plans and Post-[REDACTED] Equity Incentive Plan.
- (2) The exercise period of these options granted under the 2015 Plan shall commence from the date on which the relevant options become vested and end on the 10th anniversary of the grant date, subject to the terms of the 2015 Plan and the option award agreement signed by the grantee.

The table below shows the details of the outstanding options granted to the Directors, senior management and other connected persons of our Company under the 2018 Plan as of the Latest Practicable Date:

Name	Position(s)	Address	Date of grant	Vesting period	Exercise price (per Share)	Number of Shares underlying the outstanding options	Approximate percentage of issued Shares immediately following completion of [REDACTED]⁽¹⁾
Directors							
Mr. Lin WAN (萬霖)	Executive Director and Chief Executive Officer	Room 1901, Unit 3, Building 8, Xixi Lijing Euro America Financial City, Yuhang District, Hangzhou, Zhejiang Province, PRC	August 17, 2023	Upon date of grant ⁽²⁾	[REDACTED]	[REDACTED]	[REDACTED]%
Mr. Zheng LIU (劉政)	Executive Director and Chief Financial Officer	Room 402, Unit 4, Building 27, Xixidieyuan, Xihu District, Hangzhou, Zhejiang Province, PRC	May 1, 2019 to August 11, 2023	1.7 years from date of grant to 6 years from date of grant ⁽³⁾	[REDACTED]	[REDACTED]	[REDACTED]%
Senior management							
Ms. Hong LIU (劉紅)	Chief People Officer	Room 1502, Unit 3, Building 10, Jin’an Luolan Huayuan, Zhongtai Street, Yuhang District, Hangzhou, Zhejiang Province, PRC	July 20, 2023 to August 11, 2023	1.7 years from date of grant to 6 years from date of grant ⁽³⁾	[REDACTED]	[REDACTED]	[REDACTED]%

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Name	Position(s)	Address	Date of grant	Vesting period	Exercise price (per Share)	Number of Shares underlying the outstanding options	Approximate percentage of issued Shares immediately following completion of [REDACTED]⁽¹⁾
<i>Other connected persons of the Company</i>							
Mr. Qiang LI (李強)	A substantial shareholder of our Consolidated Affiliated Entities	6-3-1201, Mingliyuan, Xixi Chengyuan, Xihu District, Hangzhou, Zhejiang Province, PRC	July 20, 2023 to August 11, 2023	2.7 years from date of grant to 6 years from date of grant ⁽³⁾	[REDACTED]	[REDACTED]	[REDACTED]%
Mr. Jian SUN (孫建)	General manager of a subsidiary	Room 1201, Building 6, Bafangcheng, Yuhang District, Hangzhou, Zhejiang Province, PRC	May 1, 2019 to August 11, 2023	1.7 years from date of grant to 6 years from date of grant ⁽³⁾	[REDACTED]	[REDACTED]	[REDACTED]%
Mr. Yong SHUAI (帥勇)	Director of a subsidiary	Room 602, Unit 1, Building 13, Longyuan, No. 3 Chenjiaying West Road, Changping District, Beijing, PRC	May 1, 2019 to August 11, 2023	1.7 years from date of grant to 6 years from date of grant ⁽³⁾	[REDACTED]	[REDACTED]	[REDACTED]%
Mr. Yuedong XU (徐躍東)	Director of a subsidiary	Room 102, No. 14, Lane 1588, Zhengli Road, Yangpu District, Shanghai, PRC	May 1, 2019 to August 11, 2023	1.7 years from date of grant to 6 years from date of grant ⁽³⁾	[REDACTED]	[REDACTED]	[REDACTED]%
Subtotal	7 grantees					[REDACTED]	[REDACTED]%

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Notes:

- (1) Assuming the [REDACTED] is not exercised and no Shares are issued under the Pre-[REDACTED] Equity Incentive Plans and Post-[REDACTED] Equity Incentive Plan.
- (2) The exercise period of these options granted under the 2018 Plan shall commence from the date on which the relevant options become vested and end on the 2.4 to 9th anniversary of the grant date, subject to the terms of the 2018 Plan and the option award agreement signed by the grantee.
- (3) The exercise period of these options granted under the 2018 Plan shall commence from the date on which the relevant options become vested and end on the 10th anniversary of the grant date, subject to the terms of the 2018 Plan and the option award agreement signed by the grantee.

The table below shows the details of the outstanding options granted to the remaining 1,403 grantees, who are not Directors, senior management or connected persons of our Company, under the 2015 Plan as of the Latest Practicable Date:

Range of Shares underlying the outstanding options	Total number of grantees	Date of grant	Vesting period⁽²⁾	Exercise price (per Share)	Number of Shares underlying the outstanding options	Approximate percentage of issued Shares immediately following completion of [REDACTED]⁽¹⁾
0 to 49,999	893	December 31, 2015 to October 1, 2018	2.3 years from date of grant to 5.2 years from date of grant	[REDACTED]	[REDACTED]	[REDACTED]%
50,000 to 149,999.	373	December 31, 2015 to October 1, 2018	2.3 years from date of grant to 4 years from date of grant	[REDACTED]	[REDACTED]	[REDACTED]%
Over 150,000	137	December 31, 2015 to October 1, 2018	2.3 years from date of grant to 4.3 years from date of grant	[REDACTED]	[REDACTED]	[REDACTED]%
Subtotal	1,403				[REDACTED]	[REDACTED]%

Notes:

- (1) Assuming the [REDACTED] is not exercised and no Shares are issued under the Pre-[REDACTED] Equity Incentive Plans and Post-[REDACTED] Equity Incentive Plan.
- (2) The exercise period of these options granted under the 2015 Plan shall commence from the date on which the relevant options become vested and end on the 10th anniversary of the grant date, subject to the terms of the 2015 Plan and the option award agreement signed by the grantee.

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The table below shows the details of the outstanding options granted to the remaining 10,717 grantees, who are not Directors, senior management or connected persons of our Company, under the 2018 Plan as of the Latest Practicable Date:

Range of Shares underlying the outstanding options	Total number of grantees	Date of grant	Vesting period⁽²⁾	Exercise price (per Share)	Number of Shares underlying the outstanding options	Approximate percentage of issued Shares immediately following completion of [REDACTED]⁽¹⁾
0 to 49,999	4,998	May 1, 2019 to August 31, 2023	Upon date of grant to 4.2 years from date of grant	[REDACTED]	[REDACTED]	[REDACTED]%
50,000 to 149,999.	2,723	December 29, 2018 to August 31, 2023	Upon date of grant to 5.1 years from date of grant	[REDACTED]	[REDACTED]	[REDACTED]%
Over 150,000	2,996	December 29, 2018 to August 31, 2023	Upon date of grant to 6 years from date of grant	[REDACTED]	[REDACTED]	[REDACTED]%
Subtotal	10,717				[REDACTED]	[REDACTED]%

Notes:

- (1) Assuming the [REDACTED] is not exercised and no Shares are issued under the Pre-[REDACTED] Equity Incentive Plans and Post-[REDACTED] Equity Incentive Plan.
- (2) The exercise period of these options granted under the 2018 Plan shall commence from the date on which the relevant options become vested and end on the 2.5 to 10th anniversary of the grant date, subject to the terms of the 2018 Plan and the option award agreement signed by the grantee.

APPENDIX V STATUTORY AND GENERAL INFORMATION

The table below shows the details of the outstanding options granted to the remaining 10,767 grantees, who are not Directors, senior management or connected persons of our Company, under the 2015 Plan and 2018 Plan as of the Latest Practicable Date:

<u>Range of Shares underlying the outstanding options</u>	<u>Total number of grantees</u>	<u>Date of grant</u>	<u>Vesting period⁽²⁾</u>	<u>Exercise price (per Share)</u>	<u>Number of Shares underlying the outstanding options</u>	<u>Approximate percentage of issued Shares immediately following completion of [REDACTED]⁽¹⁾</u>
0 to 49,999	4,962	December 31, 2015 to August 31, 2023	Upon date of grant to 4.2 years from date of grant	[REDACTED]	[REDACTED]	[REDACTED]%
50,000 to 149,999.	2,711	December 31, 2015 to August 31, 2023	Upon date of grant to 5.1 years from date of grant	[REDACTED]	[REDACTED]	[REDACTED]%
Over 150,000	3,094	December 31, 2015 to August 31, 2023	Upon date of grant to 6 years from date of grant	[REDACTED]	[REDACTED]	[REDACTED]%
Subtotal	10,767				[REDACTED]	[REDACTED]%

Notes:

- (1) Assuming the [REDACTED] is not exercised and no Shares are issued under the Pre-[REDACTED] Equity Incentive Plans and Post-[REDACTED] Equity Incentive Plan.
- (2) The exercise period of these options granted under the 2015 Plan and 2018 Plan shall commence from the date on which the relevant options become vested and end on the 2.5 to 10th anniversary of the grant date, subject to the terms of the 2015 Plan and/or the 2018 Plan (as the case may be) and the option award agreement signed by the grantee.

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E. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

As of the Latest Practicable Date, save as disclosed in the section headed “Our Business — Legal Proceedings and Compliance”, no member of the Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Group, that would have a material adverse effect on its business, financial condition or results of operations.

3. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the [REDACTED] for the [REDACTED] of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the [REDACTED] (including the additional Shares which may be issued pursuant to the exercise of the [REDACTED] or under the Pre-[REDACTED] Equity Incentive Plans and the Post-[REDACTED] Equity Incentive Plan. All necessary arrangements have been made to enable such Shares to be admitted into [REDACTED].

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The fee payable to each of the Joint Sponsors for acting as our sponsors in connection with the [REDACTED] is US\$600,000 and is payable by our Company.

4. No Material Adverse Change

The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since June 30, 2023 (being the date to which the latest audited consolidated financial statements of the Group were prepared).

APPENDIX V STATUTORY AND GENERAL INFORMATION

5. Qualification of Experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in this document:

<u>Name</u>	<u>Qualification</u>
Citigroup Global Markets Asia Limited <i>(in alphabetical order)</i>	A licensed corporation to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 7 (providing automated trading services) of the regulated activities (as defined under the SFO)
CITIC Securities (Hong Kong) Limited <i>(in alphabetical order)</i>	A licensed corporation to conduct type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities (as defined in the SFO)
J.P. Morgan Securities (Far East) Limited <i>(in alphabetical order)</i>	A licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities (as defined in the SFO)
PricewaterhouseCoopers.	Certified Public Accountants under Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Fangda Partners	Legal adviser as to PRC laws
Harney Westwood & Riegels	Legal adviser as to Cayman Islands laws
China Insights Industry Consultancy Limited	Industry consultant

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6. Consents of Experts

Each of the experts as referred to in “— E. Other Information — 5. Qualification of Experts” above in this document has given and has not withdrawn its consent to the issue of this document with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

7. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [REDACTED] and the related transactions described in this document.

8. Preliminary Expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

9. Binding Effect

This document shall have the effect, if an application is made in pursuance of this document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

10. Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

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STATUTORY AND GENERAL INFORMATION

If there is any inconsistency between this document and its Chinese translation, this document shall prevail, provided that if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC mentioned in this document and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities or enterprises marked with "*" are provided for identification purposes only.

11. Miscellaneous

- (a) Save as disclosed in this document:
 - (i) within the two years immediately preceding the date of this document, neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) within the 24 months immediately preceding the date of this document, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of the Group;
 - (iv) within the two years immediately preceding the date of this document, no commission has been paid or payable (except commission to [REDACTED]) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;
 - (v) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
 - (vi) our Company has no outstanding convertible debt securities or debentures; and
 - (vii) there is no arrangement under which future dividends are waived or agreed to be waived.
- (b) Our Directors confirm that there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this document.
- (c) None of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

APPENDIX VI

**DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND DOCUMENTS ON DISPLAY**

- (h) the material contracts referred to in the section headed "Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts" in Appendix V to this document;
- (i) the written consents referred to in the section headed "Statutory and General Information — E. Other Information — 6. Consents of Experts" in Appendix V to this document;
- (j) the service contracts and letters of appointment referred to in the section headed "Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 2. Directors' Service Contracts and Letters of Appointment" in Appendix V to this document;
- (k) the term of the Pre-[REDACTED] Equity Incentive Plans and Post-[REDACTED] Equity Incentive Plan; and
- (l) the Cayman Companies Act.