OVERVIEW

Founded in 2004, we have grown from a freight forwarding company to an integrated cross-border seaborne logistics service provider in China. The cross-border logistics service market in China is fragmented with the top 15 service providers holding only an aggregate 12.2% market share in terms of revenue in 2022. We ranked 15th with an approximately 0.2% market share in terms of revenue in 2022. In the early stage of our development, we gradually set our footprints in key ports in China and established branches in cities on the east coast to carry out our cross-border logistics service business. Being customer-centric, we closely follow customer demand and industry trends to expand our business scope and geographical coverage regions.

We focus on cross-border logistics services as our primary business line, and have accumulated vessel operation-related resources and capabilities through our time charter operation to strengthen our ability to provide cross-border logistics services. Our services cover all major aspects of the cross-border logistics process, including cargo pick-up and sorting, customs clearance, cross-border seaborne transportation, warehouse transit and last-mile delivery. Cross-border seaborne transportation is the key step in the cross-border logistics process. We offer cross-border seaborne transportation services that are operated by us or provided by third parties. For cross-border seaborne transportation services operated by us, we deploy our self-owned vessels or chartered-in vessels to provide services to our customers directly. For cross-border seaborne transportation provided by third parties, we cooperate with third-party shipping carriers to procure shipping space for our customers.

We have invested substantially to develop the portfolio of our self-owned vessels and containers to support our operation. As of April 30, 2023, we had purchased four second-hand container vessels to gain vessel operation–related resources and capabilities. In June 2022, to further expand our fleet of vessels, achieve economies of scale and enhance our competitiveness and profitability, we entered into two shipbuilding agreements to order two first-hand ultra large container vessels, each with a capacity of 14,700 TEUs, at a total consideration of US$281.0 million, which, upon expected delivery in 2025, will be able to operate on a variety of major routes given their good adaptability. In July 2023, we entered into a memorandum of agreement to purchase another second-hand vessel with a capacity of 13,802 tons to further expand our shipping capacity and to take advantage of the favorable vessel prices in light of current market downturn. The vessel was delivered in August 2023. Relying on our self-owned shipping assets, we can flexibly deploy vessels based on market conditions and vessel prices to improve operational efficiency. Our self-owned vessels allow us to remain flexible when freight rates and vessel charter-in price fluctuate, as well as to expand our fleet of vessels. In view of the diverse needs of our customers, we have procured containers with different specifications and functions to provide different transportation services. To support the warehouse transit and last-mile delivery process, we have established stable cooperative relationships with a number of overseas supply chain companies. By integrating the warehousing resources and transportation network of our partners, we are able to ensure safe cargo arrival and timely delivery.

With the rapid development of internet technology, cross-border logistics customers continue to have increasing demand for online services. In 2015, we established Lcang.com (樂艙網) as an internet service system for our cross-border seaborne transportation service and put it into operation in the same year. In 2019, we acquired Shanghai Sijin to further enhance the service coverage of our internet service system. Our internet service system is centered around our central interface containing Lcang logistics data. By further synchronizing data from our internal ERP system and external third parties, our internet service system captures and fulfills customers' and suppliers' needs. Through our internet service system, our customers can conduct the entire service process of fee enquiry, placement of orders, booking of vessels, early warning, account reconciliation and status tracking online. The online standardized operation and visualized tracking function provide customers with accessible and convenient service experiences. In addition, our internet service system has enhanced our operational efficiency by enabling us to gain timely insight into customer and market demand and adapt our service offering strategy, which help us improve service solutions, attract new customers continuously and grasp the future development trends in the industry.

With the increased penetration of internet services, the global e-commerce market has experienced rapid growth in recent years. The outbreak of COVID-19 has also changed consumer habits in overseas countries significantly and accelerated the transition of consumption pattern from traditional offline shopping to online channels and platforms, promoting further development and expansion of the global e-commerce market. In addition to maintaining our traditional customers, we actively engage in attracting cross-border e-commerce customers in response to the rapid growth of China's cross-border e-commerce industry. Relying on our internet service system and our professional understanding of cross-border logistics, we provide cross-border e-commerce customers with professional transportation and visualized tracking services. Our integrated cross-border logistics services are in line with the industry trend of Chinese brands' going overseas and can effectively meet the transportation needs of cross-border e-commerce customers.

As our business scale and service scope continue to grow, we recorded robust financial performance during the first three years of the Track Record Period. Our revenue grew from RMB781.5 million in 2020 to RMB4,195.4 million in 2021, and further to RMB4,607.9 million in 2022. In addition, our gross profit increased from RMB63.8 million in 2020 to RMB456.8 million in 2021, and further to RMB545.3 million in 2022. However, as market freight rates decreased significantly since the second half of 2022 and we have paused offering of self-operated cross-border seaborne transportation subsequent to December 31, 2022, our revenue decreased from RMB2,011.1 million in the four months ended April 30, 2022 to RMB453.8 million in the same period in 2023. Our gross profit also decreased from RMB259.0 million in the four months ended April 30, 2022 to RMB113.7 million in the same period in 2023.

COMPETITIVE STRENGTHS

An industry player with full capacity to integrate industry resources and provide integrated cross-border logistics solutions.

We are a privately owned cross-border seaborne logistics service provider in China. The cross-border logistics service market in China is fragmented with the top 15 service providers holding only an aggregate 12.2% market share in terms of revenue in 2022. We ranked 15th with an approximately 0.2% market share in terms of revenue in 2022. With nearly 20 years of industry experience, we have accumulated collaboration resources with high quality and stable access from domestic and overseas third-party logistics service providers and enhanced our integration capabilities. We are fully capable of providing integrated cross-border logistics services.

Our integrated solutions cover all major aspects of the cross-border logistics process, including cargo pick-up and sorting, customs clearance, cross-border seaborne transportation, warehouse transit and last-mile delivery. Relying on our in-depth industry experience and insights into customer needs, we have developed a professional ability to enhance our service quality and operational efficiency in the major aspects of the cross-border logistics process, as well as our resource integration capabilities. We have established long-term and stable cooperative relationships with solid domestic and overseas third-party suppliers to provide logistics services, covering seaborne transportation, freight forwarding, ground transportation, warehousing, customs clearance and insurance procurement. With these resources, we have created an integrated logistics service system, with us being the gateway and core. Customers only need to interact with us to enjoy the integrated solutions formulated by us. We provide accessible and convenient cross-border transportation, overcoming various obstacles commonly faced by customers in different industries in the long and complex cross-border logistics chain.

We have accumulated the following transportation-related resources to ensure that our cross-border logistics services are stable and reliable:

- Our self-operated cross-border seaborne transportation in 2021 and 2022 ensured the availability of stable and reliable transportation capacity at relatively low costs and to better serve the needs of cross-border logistics customers. We provided cross-border seaborne transportation operated by us covering global destinations, which mainly include the United States, Canada, Mexico, the Netherlands, Australia, Japan, Vietnam and Indonesia. Our non-wholly owned subsidiary, BAL Container Line, launched self-operated cross-border seaborne transportation between China and the United States in 2021. Self-operated cross-border seaborne transportation allowed us to flexibly adjust our resource allocation according to market trends and better grasp the opportunities brought by market changes. In 2021 and 2022, we shipped 68,244 TEUs and 100,050 TEUs of cargo through cross-border seaborne transportation operated by us, accounting for 17.9% and 28.1% of our total service volume for the respective years.

- We have more than 15 years of experience in container transportation and management. Possessing a variety of containers with different specifications and functions, we can provide different options, such as cold storage containers, ultra-high containers and special containers, to meet the diverse and special needs of our customers. Having our own containers allows us to have better control over the utilization, maintenance and costs of the containers, and to provide containers with more stability and at competitive prices. We are also able to monitor the latest status of containers in real time and promptly respond to customers' questions about containers.

- We have cooperation with overseas warehousing and transportation service providers to complement our overseas storage and last-mile delivery capacity. In the United States and Germany, we enjoy priority rights on the use of our partner's local warehouses. Our selected partners have warehousing, transportation and freight resources locally or globally. Benefiting from the warehousing resources and transportation network of our partners, we are able to ensure safe cargo arrival and timely delivery.

Diversified service portfolio and flexible business model to ensure operational efficiency and optimized customer experiences.

Relying on our resource integration capabilities, our integrated cross-border logistics solutions cover all major aspects of cross-border logistics, including cargo pick-up and sorting, customs clearance, cross-border transportation, warehouse transit and last-mile delivery. Customers can contact us for cargo pick-up and shipment based on required capacity and expected shipment schedule. We are also able to help our customers temporarily store their goods and complete export customs clearance before the cross-border seaborne transportation. Upon arrival at the destination, we will help our customers complete import customs clearance, and effectively complete the last-mile delivery with our ground transportation resources. Our customers are free to choose all or part of our services during the entire process.

Our service portfolio covers key regions of cross-border logistics, including "deep-sea" countries in North America, Latin America, Europe and Australia and "short-sea" countries in Asia. To enhance our transportation capacity, we launched self-operated cross-border seaborne transportation in 2021. We also offer cross-border seaborne transportation operated by third parties, which covers a wider range of regions through their vessel resources. Relying on our self-owned shipping assets, we can flexibly deploy vessels based on market conditions and vessel prices to improve operational efficiency. Our self-owned vessels allow us to remain flexible when freight rates and vessel charter-in price fluctuate.

Leveraging our abundant experience in cross-border seaborne transportation, we are able to quickly grasp market trends and understand the needs of our customers. Our service portfolio is customer-centric and caters to the diverse preference of our customers, such as price stability, shipment capacity or special shipping requirement. Our services cover the entire logistics chain, benefiting from the economies of scale that help us reduce costs and maintain profitability. In addition, with the option to freely choose a desired service portfolio, customers can enjoy a better service experience that helps increase customer loyalty.

We have a flexible business model. We perform cross-border seaborne transportation through self-owned vessels, chartered-in vessels or in cooperation with third-party shipping carriers. We can strategically predict market trends based on market conditions and promptly allocate our transportation resources. According to customer demand, we may allocate more resources to destinations of higher demand or commence transportation to new destinations if necessary. The flexible business model helps us maintain operational efficiency and stability and effectively control operational risks, which promoted our stable performance during the Track Record Period.

Broad internet service capabilities to provide customers with accessible and convenient service experiences.

We provide integrated cross-border logistics services through our cross-border logistics internet service system, which brings value to our customers and our business:

- **For our customers:** cross-border logistics involves a long and complex chain of steps that require close cooperation with e-commerce platforms, e-commerce sellers, consumers, transportation providers and/or customs authorities of different countries. Full coverage of shipment information during the transportation process, as well as accurate and visualized information interaction, are the prerequisites and foundations for providing customers with quality logistics services. Customers may place online orders on the internet service system and complete the entire order process online, including to acquire service fee rate and shipping schedule, book shipment, confirm shipment and bill of lading, receive shipment alert, conduct account reconciliation, download electronic invoice and monitor shipment status. Standardized online operation and visualized shipment monitoring provide customers with an accessible and convenient service experience. In addition, selected suppliers may publish their service fee rates, and customers may obtain service information in a timely manner through our internet service system and place orders online. The intelligent algorithm of our internet service system consolidates customs manifest, customs release slip and shipping schedule and tracks the status of the vessels, container yards and containers in real time. As a result, our internet service system can provide alert of abnormal shipment to improve service quality.

- **For us:** we have achieved automation, digitalization and artificial intelligence in our internet service system. In terms of operation, the internet service system has effectively enhanced our operational efficiency by enabling us to adapt our service offering strategy. In terms of sales and marketing, our internet service system assists us in gaining timely insights into customer and market demands, which further help us optimize and plan service arrangement. Based on our in-depth understanding of customer demand, we can actively explore customers' potential needs and proactively introduce suitable solutions to improve their logistics efficiency.

Through our internet service system, we can effectively cope with the fragmented requests in the cross-border logistics process. We are also able to fulfill the increasing demands for digitizated and visualized services from cross-border e-commerce operators and other small and medium-sized customers arising from high frequency of restocking. In addition, our internet service system is capable of matching supply with demand, attracting new customers on the one hand and recruiting third-party service suppliers on the other hand. This has set an important foundation for our future integration to upgrade as a more comprehensive internet service platform, assisting us to attract new customers continuously and capture future development opportunities in the industry.

Our self-developed internet service system consists of Lcang.com (樂艙網), the website of Sijin International (絲金國際) and Lcang WeChat mini-app (樂艙微信小程序). Our internet service system is centered around our central interface containing Lcang logistics data and resources. By further synchronizing data from our internal ERP system and external third parties, our internet service system captures and fulfills customers' and suppliers' needs. Our internet service system has become our primary gateway of receiving customers, enabling us to support them promptly and continuously innovate our service iteration. In 2018, Shanghai Hanyun, our subsidiary operating Lcang.com (樂艙網), was officially recognized as a National High-New Technology Enterprise (國家高新技術企業).

We completed a growing number of orders through our internet service system. The number of registered corporate users of our internet service system increased from 5,140 as of December 31, 2020 to 12,593 as of April 30, 2023. As of the Latest Practicable Date, our internet service system had a total of 12,779 registered corporate users. For the four months ended April 30, 2023, more than 75.0% of our transactions in terms of order volume were completed or served by our internet service system.

We have an experienced R&D team which established our internet service system. Mr. Sun Zhenlin, head of our R&D team, is experienced in the development and maintenance of internet service systems. We have R&D centers in Qingdao, Yantai and Shanghai. As of April 30, 2023, we had a R&D team of 15 members, who are experienced in software R&D. We attach great importance to the establishment of our service and information management system, and are devoted to make continuous investments in it.

A steadily growing number of customers and new sources of customers in line with industry trend.

Steady growth in the number of customers. Since our establishment in 2004, we have built a reputable brand and formed a high quality customer base through years of development. We have established stable relationships with our customers through long-term, professional and in-depth cooperation. The number of our customers grew steadily from 2020 to 2022. In addition, the average revenue per customer also continued to increase during the Track Record Period. In 2020, 2021 and 2022 and the four months ended April 30, 2023, our average revenue per customer was approximately RMB307,000, RMB1,451,000, RMB1,500,000 and RMB261,000, respectively, representing a CAGR of approximately 121.0% from 2020 to 2022.

Actively acquiring cross-border e-commerce customers. In addition to traditional customers, we primarily focus on the development of cross-border e-commerce customers along with the rapid growth of China's cross-border e-commerce industry. Rooted in China, we have a thorough understanding of the needs of cross-border e-commerce customers. E-commerce customers mainly operate on major cross-border e-commerce platforms and have high demand for cross-border transportation and visualized tracking service. Our integrated cross-border logistics services are in line with the industry trend of Chinese brands' going overseas and can effectively fulfill their cross-border e-commerce transportation needs. We currently have an experienced team serving cross-border e-commerce customers, enabling us to capture opportunities in the rapid development of e-commerce industry and secure our market position.

Experienced management team.

Experienced management team. Our key senior management team has an average of more than 15 years of industry experience. Among them:

- Mr. Xu Xin, our executive Director, chief executive officer, president and chairman of the Board, has over 20 years of industry experience in the global shipping and logistics industry and has profound industry understanding. Mr. Xu founded our Group in 2004. He is responsible for the Group's strategic decisions and management. Mr. Xu majored in port and ship electrics and computer science. He also obtained an executive master of business administration (EMBA) degree from China Europe International Business School (CEIBS) in 2010. Mr. Xu is currently enrolled in the CKGSB Business Scholar Program (企業家學者項目) at Cheung Kong Graduate School of Business.

- Ms. Li Yan, our executive Director and vice president, has over 15 years of industry experience in the global shipping and logistics industry. Ms. Li has served various positions including the chairman of the board of directors in Shandong Lcang since August 2022, the deputy general manager at Shandong Lcang from 2007 to August 2022 and served as a director since 2015. She is responsible for assisting in the formulation of strategies and decision-making on operation and management of our Group. Ms. Li majored in international freight and customs clearance and obtained an executive master of business administration (EMBA) degree from CEIBS in 2018.

- Ms. Zhu Jiali, our executive Director and chief financial officer, is responsible for the overall supervision and management of the financial and accounting matters of our Group. Ms. Zhu has approximately 18 years of experience in global shipping, logistics and accounting.

- Mr. Yu Zhenrong, our executive Director, is responsible for providing strategic advice to management of our Group. Mr. Yu has over 26 years of experience in corporate consulting.

Under the leadership of our senior management team, we are able to capture market opportunities and achieve rapid and sustainable growth. See "Directors and Senior Management."

Flat management system. We adopt a flat management system to extend the decision-making authority to the front line of our business team, thereby improving our management efficiency. This system enables us to make timely adjustments to our operating strategies based on market conditions to reduce our risk exposure and improve our profitability. As our management system is highly digitalized, our information technology system can deliver key information of our business operations to the senior management team within a short period of time, facilitating prompt decision-making on major issues. Moreover, our employees are able to react quickly in daily operation according to changes in the market environment.

OUR STRATEGIES

Increase investments in strategic resources to deepen our global business footprint.

Increase investment in strategic resources. We will continue to expand our business coverage to better serve the needs of cross-border logistics customers. In view of the increasing service demand, we plan to increase our investments in logistics resources, including warehouses, container yards and ground transportation fleets, and enhance our service capabilities to improve customer experience. To enhance our warehousing capacity, we plan to set up our own warehouses in key ports in China, namely Shanghai, Ningbo, Shenzhen, Xiamen and Qingdao, and overseas destination cities, namely Los Angeles, New York, Rotterdam and Manzanillo. In addition, we plan to set up container yards in these overseas destination cities to facilitate the loading, unloading, storage and return of containers. We will also enhance our ground transportation capacities in overseas destination cities, including to purchase additional trucks to enhance our ground transportation efficiency. We also plan to enhance our cross-border transportation capacity at key logistics nodes, including optimization of our vessel fleet structure, particularly in where cross-border e-commerce trade is relatively concentrated. We also plan to cooperate with logistics companies to expand our service destinations and service volume.

Deepen our global business footprint. As of the Latest Practicable Date, we had opened branches in Hong Kong, the United States, Vietnam, Australia, Singapore and other regions. We will continue to focus on industry opportunities arising from the growth in import and export activities. In China, we plan to further deepen our presence in key coastal and inland cities where e-commerce is thriving. In overseas countries, we intend to expand into key target markets in North America, Latin America, Europe, Australia and Southeast Asia, among others. Considering the market trends and dynamics of cross-border e-commerce, we plan to capture opportunities in the expansion of geographic coverage, talent recruitment and local investment cooperation.

Focus on cross-border e-commerce customers and further integrate cross-border logistics resources.

In line with market trend, we will focus on cross-border e-commerce customers and integrate cross-border logistics resources in the following aspects:

- ***Transportation nodes.*** In response to the needs of cross-border e-commerce customers, we will allocate logistics resources, including warehousing facilities, container yards and vehicle fleets, in key transportation nodes in China and overseas market through new build, mergers and acquisitions or leasing. Our goal is to ensure stability and comprehensiveness of our services and improve transportation efficiency to meet customer demand.

- ***Service scope.*** We plan to expand our service scope and strengthen solutions offered to e-commerce customers according to their specific characteristics, including (i) offering dedicated cross-border seaborne transportation for cross-border e-commerce customers in China, and (ii) focusing on logistics service demand for shipping medium and large-sized goods.

- ***Team size.*** We will continue to expand the size of our cross-border e-commerce logistics service team to provide professional and instant services to cross-border e-commerce sellers. We will continue to strengthen our cooperation with cross-border e-commerce sellers including cross-border e-commerce platforms and independent websites.

- ***E-commerce ecosystem.*** We plan to cooperate with other companies in the e-commerce ecosystem, including e-commerce platforms and e-payment companies. The scope of cooperation consists of: ground transportation by trucks, customs declaration, customs clearance in destination countries, as well as warehouse transit and last-mile delivery in the destination countries. We expect this cooperation can further enhance our industry insights and help us to better understand the needs of cross-border e-commerce sellers and integrate cross-border logistics resources that can meet such needs in advance. In addition, by offering logistics services for large e-commerce platforms, we will be able to obtain more orders and expand our customer base.

Upgrade our integrated internet service system and enhance our resource integration capabilities.

We will strive to further upgrade the functions of our internet service system to improve operational efficiency and service quality. By upgrading our Lcang.com (樂艙網), the website of Sijin International (絲金國際), Lcang WeChat mini-app (樂艙微信小程序) and our ERP system, we aim to provide customers with more stable and faster services and reduce operating costs. In addition, we plan to further expand the scope of our internet service system to provide customers with a wider range of choices, such as trucking service, trucking service matching and warehouse management system and solutions.

We also plan to grasp real-time international logistics market demand through the internet service system, based on which we will adjust the transportation arrangement within our Group. Through the accumulation of large amount of online transactions, we can collect comprehensive data from multiple angles, such as logistics data, fee settlement data, fee collection data and payment record. Together with the continuous development of intelligent technology, we are able to create data analysis models, reach our target market accurately and provide digitalized standard services. We aim to improve the level of AI and extend robotic process automation (RPA) and to realize automation under various business scenarios. Our goal is to achieve intelligent cross-border logistics service, and thereby increasing our customer loyalty and maintaining our market position.

Improve our ability to acquire new customers and expand our customer base.

We plan to improve our ability to acquire new customers and expand our customer base in the following ways:

- We plan to increase the proportion of direct customers by strengthening our direct customer acquiring capabilities and increase the number of cross-border e-commerce customers. For example, we plan to cooperate with cross-border e-commerce associations and participate as title sponsors in cross-border e-commerce exhibitions in various regions. We will also cooperate with cross-border e-commerce agencies to provide supporting resources and establish mutually beneficial relationships.

- We also plan to strengthen our online marketing channels to develop customers with greater volume of shipments. For example, we plan to promote our services through key opinion leaders' official WeChat accounts, our own official WeChat accounts and other social applications.

- Targeting emerging industries, we aim to formulate responsive solutions based on timeliness and delivery needs of these industries, and utilize our existing International Shipping Enterprise Alliance qualifications to expand in emerging industries and attract multinational enterprises.

- Furthermore, we plan to expand our services in collaboration with other companies in the cross-border logistics industry. For example, we plan to cooperate with shipping companies to jointly operate seaborne transportation.

Through the above methods, we plan to continuously strengthen our ability to acquire new customers. With a diversified customer base, we will be better positioned to overcome any industry changes and enhance our business stability.

OUR SERVICES

With our integrated service capabilities, flexible business model and internet service system, we provide one-stop cross-border logistics solutions to customers. During the Track Record Period, we had two business lines, namely cross-border logistics services and time charter services. The table below sets forth a brief comparison between our two business lines:

	Cross-border logistics services	**Time charter services**
Service scope	We provide the following services, which may be provided either directly by ourselves or through third-party service providers engaged by us: • Logistics solutions consultancy • Shipping arrangement • Ground transportation • Warehousing before departure • Customs clearance before departure	We hire out various types of container vessels under time charter

	Cross-border logistics services	**Time charter services**
	• Cross-border seaborne transportation • Customs clearance after arrival • Warehousing and other value-added services after arrival • Last-mile delivery	
Customers	Freight forwarding companies and cargo owners, such as manufacturers and foreign trading companies	Mainly shipping carriers
Revenue source	Service fees	Charter fees

The table below sets forth a breakdown of our revenue by business line:

	Year ended December 31,						Four months ended April 30,			
	2020		2021		2022		2022		2023	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB in thousands, except for percentages)									
							Unaudited			
Cross-border logistics services	743,475	95.1	4,088,077	97.4	4,389,175	95.3	1,970,732	98.0	344,195	75.8
Time charter services	35,450	4.5	107,316	2.6	218,754	4.7	40,353	2.0	107,178	23.6
Others	2,599(1)	0.4	–	–	–	–	–	–	2,422(2)	0.6
Total	781,524	100.0	4,195,393	100.0	4,607,929	100.0	2,011,085	100.0	453,795	100.0

Notes:

(1) We generated a small amount of revenue from trading goods in 2020, primarily including industrial materials and equipment through Jiangsu Xinboya. As we decided to focus on cross-border logistics and related services, we disposed of a 36% interest in the entity in December 2021. We retained 15% interest in Jiangsu Xinboya after the disposal as we may continue to seek collaboration opportunities with Jiangsu Xinboya and utilize business synergy to expand our business where appropriate.

(2) In the four months ended April 30, 2023, our revenue from others represented revenue generated from trading of imported goods under our supply chain solutions commenced in February 2023.

Cross-border logistics services

We provide integrated logistics services to our customers throughout the entire logistics process to deliver their cargo to destinations. Our services cover all major aspects of cross-border logistics, including cargo pick-up and sorting, customs clearance, cross-border seaborne transportation, warehouse transit and last-mile delivery. Customers only need to liaise with us to enjoy the integrated cross-border logistics solutions formulated by us.

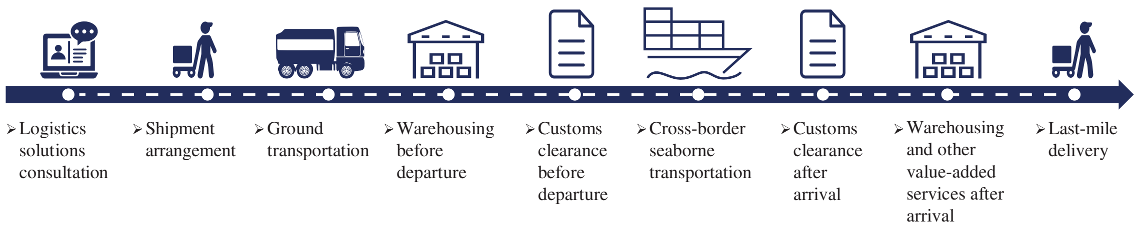
We have a global logistics network. Our service network covers key destinations in North America, Latin America, Europe, Australia, East Asia and Southeast Asia. Our cross-border seaborne transportation, the key step in cross-border logistics, is either operated by us or provided by third-party shipping carriers. We self-operate cross-border seaborne transportation between China and overseas countries, including the United States, Canada, Mexico, the Netherlands, Australia, Japan, Vietnam and Indonesia. We also arrange cross-border seaborne transportation provided by third-party shipping carriers, which covers a broader range of destinations across the globe. We will continue focusing on the provision of outbound cross-border logistics services from China to overseas countries.

We have accumulated transportation-related resources covering the entire logistics process to ensure that our cross-border logistics services are stable and reliable. We have established long-term and stable cooperative relationships with domestic and overseas third-party service providers, including trucking companies, warehousing companies and customs brokers, whom we are responsible for coordinating throughout the logistics process. Our customers are mainly freight forwarding companies and cargo owners, such as manufacturers and foreign trading companies.

On April 19, 2019, for the purpose of expanding our market share of cross border logistics services and further enhance the service coverage of our internet system, we acquired a 75% equity interest in Shanghai Sijin. Principally engaged in the provision of cross-border logistics services, Shanghai Sijin operates its business in Shanghai and owns the website of Sijin International (絲金國際), which mainly provides online services for cross-border transportation that departs from Shanghai and allows customers to book vessel slots, track booking status, inquire and confirm bill of lading, conduct account reconciliation and application for invoices online. See "Business—Our Internet Service System—Comparison of Lcang.com (樂艙網), the website of Sijin International (絲金國際) and Lcang WeChat mini-app (樂艙微信小程序)" for details.

Our workflow and services

As an integrated service provider, our cross-border logistics service covers the entire shipment process. Set forth below is an illustration of our workflow and our services:



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

- *Logistics solutions consultation*. The first step of our service is to analyze our customers' needs, such as budget, pick-up location, destination, delivery time and nature of cargo, and then formulate logistics solutions that suit their needs. Based on the services required by our customers, we will check our availability and schedule, or liaise with the third-party shipping carriers to check their availability and schedule of their services, and provide quotations to our customers.

- *Shipping arrangement*. Once our customers accept the quotations and send us the relevant cargo documents, we will arrange shipment under our self-operated seaborne transportation service or proceed to place the booking orders with the relevant third-party shipping carriers based on shipment volume and capacity. We will confirm the bookings with our customers and send them the relevant shipment details and documents.

- *Ground transportation*. Based on the request of our customers, we can provide trucking services to deliver the cargo from our customers' warehouses or other designated locations to the port. Alternatively, our customers may deliver the cargo to the port by their own means. Such trucking services are provided either directly by us or through third-party trucking companies engaged by us.

- *Warehousing before departure*. If requested by our customers, we provide warehousing services to help our customers temporarily store the cargo before shipment, which gives them more flexibility to manage the schedule of the shipment. Such services are provided through third-party warehousing companies engaged by us. We consider factors including warehouse location, warehouse condition and supporting facilities to choose the most suitable warehouse for our customers.

- *Customs clearance before departure.* We provide standard customs clearance services in the origin country before departure. We engage third-party customs brokers to help us handle customs clearance.

- *Cross-border seaborne transportation.* After the customs clearance is completed in the origin country, the cargo will be loaded onto the container vessels and transported to the destination country. Under cross-border seaborne transportation operated by us, prior to arriving at the port of destination, we will send relevant instructions and details to the port operator, including the number and sizes of containers, the type of containers, the type of cargo and the details of the vessel. Seaborne transportation is carried out either directly by us or through third-party shipping carriers engaged by us.

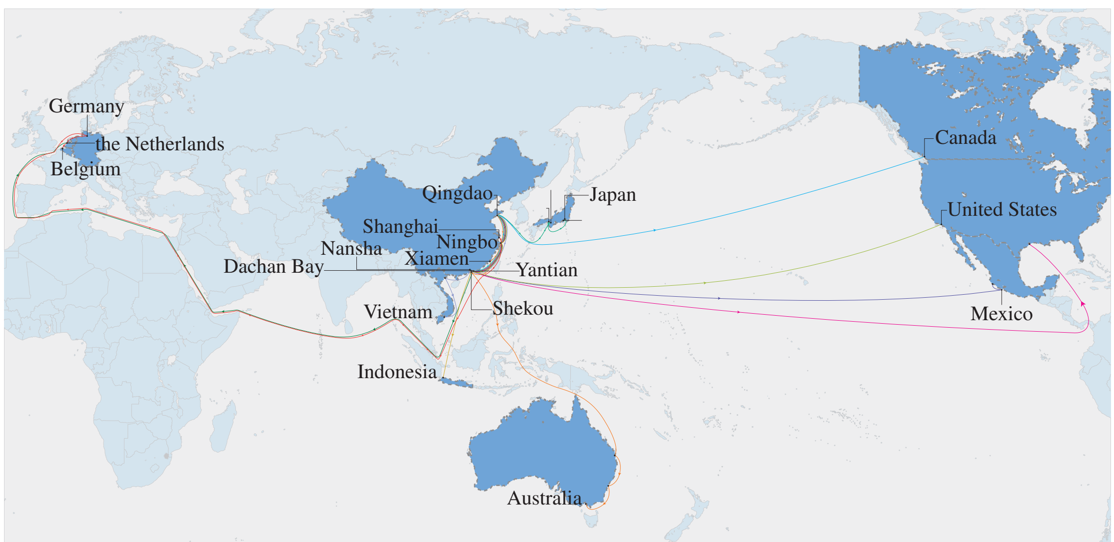
- *Customs clearance after arrival.* We provide customs clearance services through third-party service providers after the cargo arrives at the destination country. After the customs clearance is completed, we will notify the consignee to pick up the cargo at the port if no other services are required.

- *Warehousing and other value-added services after arrival.* If requested by our customers, we provide warehousing services as well as other value-added services, including picking up, packing, tagging and labeling, in the destination country to cater to our customers' business needs. Such services are provided through third-party warehousing companies engaged by us. In the end of October 2022, BAL USA Logistic, our subsidiary, and Western Post (USA) Inc. established a joint venture in New Jersey to expand our overseas warehousing capacity and generally enhance our capability to offer value-added services.

- *Last-mile delivery*. If requested by our customers, we provide trucking services or railway transportation services in the destination country to deliver the cargo to the customers' designated locations. Such services are provided through third-party trucking or railway companies engaged by us.

Network of our cross-border logistics services

We have established a comprehensive network of cross-border logistics services. In 2021, we commenced cross-border seaborne transportation services operated by us. We self-operate cross-border seaborne transportation services between China and overseas countries, including (i) Vancouver, Calgary, Edmonton, Halifax, Montreal, Saskatoon, Toronto and Winnipeg in Canada, (ii) Los Angeles, Houston, Chicago, Dallas, Detroit, Memphis, Seattle, Oakland and the port of Hueneme in the United States, (iii) Manzanillo, Lazaro Cardenas and Mexico City in Mexico, (iv) San Lorenzo in Honduras, (v) Hamburg in Germany, (vi) Rotterdam in the Netherlands, (vii) Zeebrugge in Belgium, (viii) Brisbane, Sydney and Melbourne in Australia, (ix) Ho Chi Minh City and Haiphong in Vietnam, (x) Tokyo, Osaka, Kobe and Yokohama in Japan, and (xi) Jakarta in Indonesia during the Track Record Period. The following map shows the main destinations by country of cross-border seaborne transportation operated by us:



In addition, we arrange cross-border seaborne transportation provided by third-party shipping carriers, through which we established capabilities to cover a broader range of destinations across the globe.

Our services are not fixed to certain destinations and our cross-border logistics services reached various locations and ports around the globe to meet the demand of our customers during the Track Record Period. The global logistics network may expose us to sanction risks arising from economic sanctions implemented by the United States, European Union, the United Kingdom and other jurisdictions or organizations. As advised by our International Sanctions Legal Advisors who have performed the procedures they consider necessary, during the Track Record Period, our business operations in the Relevant Regions did not constitute a violation of the applicable International Sanctions. Please refer to the sections headed "Risk Factors—We could be adversely affected as a result of any sales we make to certain countries that are, or become subject to, sanctions administered by the United States, the European Union, the United Kingdom, the United Nations, Australia and other relevant sanctions authorities" and "—Business activities with Regions subject to International Sanctions" for details.

We have a flexible business model. Our cross-border seaborne transportation, the key step of cross-border logistics, is either operated by ourselves or provided by third parties. During the Track Record Period, our self-operated cross-border logistics services all covered cross-border seaborne transportation, while not all of our cross-border logistics services provided by third parties covered cross-border seaborne transportation. We offer customers the same range of services under our self-operated and third-party provided cross-border logistics services. A substantial portion of our customers under third-party provided services utilized cross-border seaborne transportation, while other customers opted to obtain seaborne transportation elsewhere and used other services provided by us in the logistics process, which generally have a lower price per TEU. As a result, our cross-border logistics services provided by third parties generally had a lower average price per TEU. Customers may select cross-border seaborne transportation operated by us or provided by third parties based on their shipment requirement. For services other than cross-border seaborne transportation, our operations conform to uniform standards to ensure consistent quality services. The table below sets forth a breakdown of our service volume and average price per TEU of cross-border logistics service categorized by whether cross-border seaborne transportation is operated by us or provided by third parties:

	Year ended December 31,						Four months ended April 30,			
	2020		2021		2022		2022		2023	
	Service volume	Average price per TEU	Service volume	Average price per TEU	Service volume	Average price per TEU	Service volume	Average price per TEU	Service volume	Average price per TEU
	TEUs	*RMB'000*	*TEUs*	*RMB'000*	*TEUs*	*RMB'000*	*TEUs*	*RMB'000*	*TEUs*	*RMB'000*
Cross-border logistics services										
– Cross-border seaborne transportation operated by us	–	–	68,244	28.4	100,050	26.0	39,501	30.9	–	–
Self-owned vessels	–	–	4,463	31.4	19,606	16.6	7,299	25.0	–	–
Chartered-in vessels	–	–	63,781	28.2	80,444	28.3	32,202	32.2	–	–
– Cross-border seaborne transportation provided by third parties	212,371	3.5	312,025	6.9	255,613	7.0	88,086	8.5	78,862	4.1
Total	**212,371**	**3.5**	**380,269**	**10.8**	**355,663**	**12.3**	**127,587**	**15.5**	**78,862**	**4.1**

Note: Average price per TEU equals revenue generated during the relevant period divided by TEU shipped in the same period.

In 2021, there was a surge in demand of cross-border seaborne transportation services, particularly for China-Americas routes, according to Frost & Sullivan. As an existing market player, we were able to capture the market opportunity during this period, primarily attributable to (i) our experience in the operation, charter and management of vessels, the relevant resources and our ability to provide cross-border logistics services and perform relevant tasks, (ii) our capability of securing vessels and booking vessel slots through our widely connected business partners when demand rises, and (iii) increasing recruitment of talent with cross-border seaborne transportation experience to manage our vessels and improve operation efficiency as well as establishing new offices (such as our Shenzhen office) to expand our service scope and customer network. As a result, despite port congestion and low efficiency of port operation caused by the COVID-19 pandemic, we increased our service volume of cross-border seaborne transportation.

In particular, our service volume of cross-border seaborne transportation provided by third parties increased from 212,371 TEUs in 2020 to 312,025 TEUs in 2021, primarily attributable to (i) an increase in market demand, (ii) our long-term business relationship with freight forwarders and shipping carriers that allowed us to obtain shipping resources and (iii) recruitment of staff dedicated to the orderly management and expansion of cross-border seaborne transportation provided by third parties. Furthermore, we commenced self-operated cross-border seaborne transportation in 2021 in response to the surging market demand. Despite limited supply in the market at the time, we were able to secure vessel resources for self-operated cross-border seaborne transportation timely by utilizing short-term charter and prioritizing delivery of vessels within Asia to improve utilization, primarily because of our long-term relationship with shipping brokers and our capability to secure such charter at a reasonable price based on our assessment to improve our competitiveness. We also have self-owned vessels to ensure vessel slots to meet the customer and market demand.

We strategically allocated more resources to self-operated cross-border seaborne transportation in 2022 and operated shipping routes with higher market demand, i.e. China-Asia and the China-Americas routes. As a result, our service volume of cross-border seaborne transportation provided by third parties decreased from 312,025 TEUs in 2021 to 255,613 TEUs in 2022, while the service volume of self-operated cross-border seaborne transportation increased from 68,244 TEUs in 2021 to 100,050 TEUs in 2022. Our service volume of self-operated cross-border seaborne transportation in 2022 was lower than that of cross-border seaborne transportation provided by third parties in the same year, primarily because (i) it would take substantial time and resources for us to increase our service capacity of self-operated cross-border seaborne transportation, given that we only commenced offering of this service in 2021; and (ii) before our self-operated cross-border seaborne transportation capacity is further enhanced, we still needed to utilize cross-border seaborne transportation provided by third parties to meet customer demands, which also enabled us to offer shipping routes to destinations where our self-operated cross-border seaborne transportation has not covered. Subsequent to December 31, 2022 and as of the Latest Practicable Date, we did not provide self-operated cross-border seaborne transportation. Therefore, our service volume of self-operated cross-border seaborne transportation was nil in the four months ended April 30, 2023. The service volume of cross-border seaborne transportation provided by third parties was 78,862 TEUs in this period, which was lower than the 88,086 TEUs in the same period in 2022, primarily due to favorable prevailing market conditions in early 2022.

Our overall average price per TEU increased significantly from approximately RMB3,500 in 2020 to approximately RMB10,800 in 2021. The significant increase was primarily due to the commencement of self-operated cross-border seaborne transportation in 2021. As we further expanded the self-operated cross-border seaborne transportation service in 2022 and increased its service volume, our overall average price per TEU increased slightly from approximately RMB10,800 in 2021 to RMB12,300 in 2022. As we did not provide self-operated cross-border seaborne transportation in the four months ended April 30, 2023, our overall average price per TEU during this period decreased to approximately RMB4,100. It was also lower than the average price per TEU of cross-border seaborne transportation provided by third parties of RMB8,500 in the same period in 2022, primarily due to a decrease in market freight rates.

During the Track Record Period, our average price per TEU of cross-border seaborne transportation services operated by us was generally higher than that of cross-border seaborne transportation services provided by third parties. This is because during the Track Record Period, our self-operated cross-border logistics services all covered cross-border seaborne transportation. The freight rates for seaborne transportation typically ranged between approximately RMB10,000 per TEU and approximately RMB35,000 per TEU. In contrast, some of the cross-border logistics services provided by third parties only covered those other services in the transportation process, such as ground transportation and customs clearance. These services generally have a lower average price per TEU, which ranged between approximately RMB100 per TEU and approximately RMB2,000 per TEU.

Our average price per TEU of cross-border seaborne transportation operated by our self-owned vessels decreased from approximately RMB31,400 in 2021 to approximately RMB16,600 in 2022. The decrease was primarily because approximately 78.0% of the service volume operated by our self-owned vessels in 2022 was shipped to Asia, while approximately 90% of the service volume operated by our self-owned vessels in 2021 was shipped to Europe and Americas. The average price per TEU for services to Europe and Americas was generally higher than the average price per TEU for services to Asia due to the longer distance of seaborne transportation to Europe and Americas than that to Asia.

Our average price per TEU of cross-border seaborne transportation operated by chartered-in vessels remained stable at approximately RMB28,200 and approximately RMB28,300 in 2021 and 2022, respectively.

Our financial performance, revenue in particular, of cross-border logistics services is primarily driven by service volume, which is dependent upon the availability of our resources and market demand, as well as the price per TEU, which is, in turn, dictated by market demand as we generally follow a market-based pricing model. As such, our revenue was affected by the changes in service volume and price per TEU during the Track Record Period. Our revenue from cross-border seaborne transportation provided by third parties increased from RMB743.5 million in 2020 to RMB2,149.1 million in 2021. The increase was primarily due to (i) an increase in service volume from 212,371 TEUs in 2020 to 312,025 TEUs in 2021; and (ii) a significant increase in the average price per TEU from RMB3,500 in 2020 to RMB6,900 in 2021. We commenced self-operated cross-border seaborne transportation utilizing both chartered-in vessels and self-owned vessels and generated revenue amounting to RMB1,939.0 million in 2021. Our revenue from cross-border seaborne transportation provided by third parties decreased from RMB2,149.1 million in 2021 to RMB1,786.1 million in 2022. The decrease was primarily due to a decrease in service volume from 312,025 TEUs in 2021 to 255,613 TEUs in 2022, as a result of our strategy to allocate more resources to develop our self-operated cross-border seaborne transportation. Our revenue from self-operated cross-border seaborne transportation increased from RMB1,939.0 million in 2021 to RMB2,603.1 million in 2022. The increase was primarily due to an increase in service volume from 68,244 TEUs in 2021 to 100,050 TEUs in 2022. Our revenue from cross-border seaborne transportation provided by third parties decreased from RMB750.6 million in the four months ended April 30, 2022 to RMB320.0 million in the same period in 2023. The decrease was primarily due to a decrease in market freight rates and a decrease in service volume from 88,086 TEUs in the four months ended April 30, 2022 to 78,862 TEUs in the same period in 2023. See "Financial Information—Discussion of Results of Operations" for details.

The table below sets forth a breakdown of our revenue of cross-border logistics service categorized by whether cross-border seaborne transportation is operated by us or provided by third parties:

	Year ended December 31,			Four months ended April 30,	
	2020	2021	2022	2022	2023
	(RMB in thousands)				
				Unaudited	
Cross-border logistics services					
– Cross-border seaborne transportation operated by us	–	1,938,976	2,603,050	1,220,125	24,204
Self-owned vessels	–	140,014	324,824	182,528	940
Chartered-in vessels	–	1,798,962	2,278,226	1,037,597	23,264
– Cross-border seaborne transportation provided by third parties	743,475	2,149,101	1,786,125	750,607	319,991
Total	743,475	4,088,077	4,389,175	1,970,732	344,195

See "Financial Information—Description of Selected Items from Consolidated Statements of Profit or Loss—Revenue—Revenue by Business Line" for details.

The following table sets forth a breakdown of our service volume and average price per TEU from cross-border logistics services by continent of destination for the periods indicated:

	Year ended December 31,						Four months ended April 30,			
	2020		2021		2022		2022		2023	
		Average price per TEU		Average price per TEU		Average price per TEU		Average price per TEU		Average price per TEU
	TEUs	*RMB'000*	*TEUs*	*RMB'000*	*TEUs*	*RMB'000*	*TEUs*	*RMB'000*	*TEUs*	*RMB'000*
Cross-border seaborne transportation operated by us										
China-Americas	–	–	58,751	28.4	62,082	32.9	24,137	37.3	–	–
China-Europe	–	–	6,120	28.5	–	–	–	–	–	–
China-Australia	–	–	2,904	32.5	6,761	30.4	6,131	30.1	–	–
China-Asia	–	–	469	9.2	31,207	11.4	9,233	14.6	–	–
	–	–	68,244	28.4	100,050	26.0	39,501	30.9	–	–
Cross-border seaborne transportation provided by third parties	212,371	3.5	312,025	6.9	255,613	7.0	88,086	8.5	78,862	4.1
Total	212,371	3.5	380,269	10.8	355,663	12.3	127,587	15.5	78,862	4.1

We commenced self-operated cross-border seaborne transportation in 2021. The service volume of our self-operated China-Americas routes, China-Australia routes and China-Asia routes increased from 2021 to 2022. In view of the increased demand in these regions from 2021 to 2022, we promptly utilized our resources to meet the needs of our customers. We did not operate any China-Europe routes in 2022 due to the longer sailing schedules of seaborne transportation to Europe and so we could concentrate our resources on destinations in Americas, Australia and Asia considering their higher market demand. The average price per TEU of self-operated China-Americas routes and China-Asia routes increased from 2021 to 2022, primarily due to an increase in the market price during the same period. The average price per TEU of self-operated China-Australia routes decreased from 2021 to 2022, primarily because we had a trip to Australia in the last quarter of 2022 when the prevailing market rates of cross-border logistics services to Australia had decreased.

Under cross-border seaborne transportation provided by third parties, our service volume and average price per TEU both increased from 2020 to 2021. The increase was primarily due to an increase in market demand and an increase in prevailing market rate as a result of insufficient shipping capacity in cross-border logistics industry, which was caused by the COVID-19 pandemic. Our service volume of cross-border seaborne transportation provided by third parties decreased from 2021 to 2022, primarily because we concentrated our resources on self-operated cross-border seaborne transportation service. Our average price per TEU of cross-border seaborne transportation provided by third parties remained stable at approximately RMB6,900 and approximately RMB7,000 in 2021 and 2022, respectively. Our service volume of cross-border seaborne transportation provided by third parties was 78,862 TEUs in the four months ended April 30, 2023, which was lower than the 88,086 TEUs in the same period in 2022, primarily due to favorable prevailing market conditions during that time. Our average price per TEU of cross-border seaborne transportation provided by third parties decreased from approximately RMB8,500 in the four months ended April 30, 2022 to approximately RMB4,100 in the same period in 2023, primarily due to a decrease in market freight rates.

Our cross-border seaborne transportation services involves the transportation of containerized cargo from port to port by sea. Our cross-border seaborne transportation services are provided either directly by our self-operated seaborne transportation or third-party shipping carriers engaged by us.

Cross-border seaborne transportation operated by us

In 2021, we commenced to provide cross-border seaborne transportation service through our owned or chartered-in container vessels. We operate these container vessels by ourselves.

Our self-operated seaborne transportation network covers North America, Latin America, Europe, Australia, East Asia and Southeast Asia. It reaches countries including the United States, Canada, Mexico, Australia, the Netherlands, Japan, Vietnam and Indonesia. In 2021 and 2022, we shipped 68,244 TEUs and 100,050 TEUs of cargoes through cross-border seaborne transportation operated by us, accounting for 17.9% and 28.1% of our total cross-border transportation for the respective years.

Cross-border seaborne transportation provided by third-party shipping carriers

We have obtained relevant NVOCC qualifications and are able to ship the cargo of our customers through third-party shipping carriers. We generally procure ocean container slots based on our customers' actual shipment needs and do not enter into any firm commitments with any shipping carriers to rent container slots.

We have established long-standing relationships with well-known shipping carriers in the industry, which enables us to secure sufficient shipping capacity at favorable market prices.

Our fleet of vessels

As of April 30, 2023, we had a fleet of four self-owned vessels and one chartered-in vessel. As of the same date, the total capacity of our vessels was 5,727 TEUs, among which 4,109 TEUs was from our self-owned vessels and 1,618 TEUs was from our chartered-in vessel.

Capacity of our fleet of vessels

The following table sets forth the number of our self-owned and chartered-in vessels and their corresponding capacity by service type as of the dates indicated:

	As of December 31,									As of April 30,					
	2020			2021			2022			2022			2023		
	Number of vessels	Capacity	% of total capacity	Number of vessels	Capacity	% of total capacity	Number of vessels	Capacity	% of total capacity	Number of vessels	Capacity	% of total capacity	Number of vessels	Capacity	% of total capacity
		TEU	%		*TEU*	%		*TEU*	%		*TEU*	%		*TEU*	%
Self-owned vessels															
– deployed under cross-border logistics services	–	–	–	2	2,324	9.2	–	–	–	2	2,324	9.9	–	–	–
– chartered out under time charter services	4	4,109	100.0	2	1,785	7.1	4	4,109	31.4	2	1,785	7.6	4	4,109	71.7
Subtotal	4	4,109	100.0	4	4,109	16.2	4	4,109	31.4	4	4,109	17.5	4	4,109	71.7
Chartered-in vessels															
– deployed under cross-border logistics services	–	–	–	4	19,577	77.4	2	7,368	56.3	6	17,757	75.6	–	–	–
– chartered out under time charter services	–	–	–	1	1,618	6.4	1	1,618	12.4	1	1,618	6.9	1	1,618	28.3
Subtotal	–	–	–	5	21,195	83.8	3	8,986	68.6	7	19,375	82.5	1	1,618	28.3
Total	**4**	**4,109**	**100.0**	**9**	**25,304**	**100.0**	**7**	**13,095**	**100.0**	**11**	**23,484**	**100.0**	**5**	**5,727**	**100.0**

During the Track Record Period, we generally utilized our shipping capacity in time charter services after securing sufficient shipping capacity for our integrated cross-border logistics services, with reference to market conditions and charter rates. We may adjust our allocation of shipping resources between our two business lines based on market conditions from time to time. In 2020, we had two self-owned vessels at the beginning of the year, and then purchased two more vessels in March and April 2020 to support our business operation. As of December 31, 2021, we had four self-owned vessels, two of which were deployed under cross-border logistics services and the other two were deployed under time charter services. As of December 31, 2022, we had four self-owned vessels, all of which were deployed under time charter services. As of April 30, 2023, we had four self-owned vessels, all of which were deployed under time charter services.

Utilization of our self-owned vessels

During the Track Record Period, we had four self-owned vessels. In 2020, we deployed all of our self-owned vessels under time charter services. In 2021, we commenced cross-border seaborne transportation operated by us. We then deployed two of our self-owned vessels under cross-border logistics services in 2021, and three of our self-owned vessels under cross-border logistics services in 2022. The table below sets forth the proportion of time in which our self-owned vessels were deployed under cross-border logistics services and time charter services for the periods indicated:

Our self-owned vessels	Type of vessel	Year of built	Capacity	For the year ended December 31,			For the four months ended April 30,	
			(TEU)	2020	2021	2022	2022	2023
BAL BOAN	Container feeder vessel	1996	1,050					
– Proportion of time deployed under cross-border logistics services(1)				–	–	–	–	–
– Proportion of time deployed under time charter services(2)				100.0%	100.0%	100.0%	100.0%	100.0%
BOYA	Container feeder vessel	2002	735					
– Proportion of time deployed under cross-border logistics services(1)				–	–	10.0%	–	–
– Proportion of time deployed under time charter services(2)				100.0%	100.0%	90.0%	100.0%	100.0%
BAL PEACE	Container feeder vessel	2002	1,618					
– Proportion of time deployed under cross-border logistics services(1)				–	76.1%	46.5%	100.0%	–
– Proportion of time deployed under time charter services(2)				100.0%	23.9%	53.5%	–	100.0%
BAL STAR	Container feeder vessel	2000	706					
– Proportion of time deployed under cross-border logistics services(1)				–	5.2%	76.9%	100.0%	–
– Proportion of time deployed under time charter services(2)				100.0%	94.8%	23.1%	–	100.0%

Notes:

(1) Proportion of time deployed under cross-border logistics services is calculated based on the number of days for which such vessels were deployed under cross-border logistics services divided by the number of days for which such vessels were in operation and able to generate revenue during the relevant period.

(2) Proportion of time deployed under time charter services is calculated based on the number of days for which such vessels were deployed under time charter services divided by the number of days for which such vessels were in operation and able to generate revenue during the relevant period.

Utilization of our chartered-in vessels

For chartered-in vessels, we deploy them under cross-border logistics services and time charter services. Our decisions were made based on the volume of customer demand for cross-border logistics and the level of vessel chartering price. We did not charter in vessels in 2020. In 2021, we chartered in vessels mainly to support our cross-border logistics services in view of the increased market demand. We chartered in 14 vessels, among which 12 vessels were deployed under cross-border logistics services and two vessel was deployed under time charter services in 2021. In 2022, we chartered in more vessels to support our business expansion due to the further increased market demand in the first half of 2022. The number of vessels that completed cross-border logistics services increased from 8 in 2021 to 17 in 2022. The increase was primarily because we completed more China-Asia routes, which had relatively shorter distance. As such, we were able to complete more voyages in 2022. The table below sets forth the movement in the number of our chartered-in vessels that commenced and completed deployment under cross-border logistics services and time charter services for the periods indicated:

	For the year ended December 31,			For the four months ended April 30,	
	2020	**2021**	**2022**	**2022**	**2023**
Chartered-in vessels at the beginning of the period	**–**	**–**	**5**	**5**	**3**
Movement during the relevant period					
– Chartered-in vessel commenced deployment under cross-border logistics services	–	12	15	5	–
– Chartered-in vessel commenced deployment under time charter services	–	2	1	1	1
– Chartered-in vessel completed deployment under cross-border logistics services	–	8	17	3	2
– Chartered-in vessel completed deployment under time charter services	–	1	1	1	1
Chartered-in vessels at the end of the period	**–**	**5**	**3**	**7**	**1**

The majority of our owned and chartered-in vessels are small-to-medium sized. Our self-owned vessels are either deployed under our cross-border logistics service business line to provide cross-border seaborne transportation services or chartered out under our time charter services business line to generate rent. For details of our time charter services, see "—Our Services—Time charter services."

For chartered-in vessels, we generally enter into charter agreements with time charter companies in order to expand our operations. As of April 30, 2023, we had one vessel that was chartered in for six months. We typically begin negotiations with the relevant time charter companies about renewal of the charter agreements one to two months prior to expiry, and may from time to time seek to charter alternative vessels from other time charter companies in the market based on shipment demand. We did not renew the two charter agreements expired as of the Latest Practicable Date, as we had abundant vessel resources. Subsequent to April 30, 2023, we have not chartered-in any new vessels. We are closely monitoring vessel charter-in price and aim to charter-in vessels with a reasonable price. As of the Latest Practicable Date, we had one chartered-in vessel.

Utilization rates of our vessels

The following table sets forth the utilization rates of our self-owned and chartered-in vessels for the periods indicated:

	For the year ended December 31,			For the four months ended April 30,	
	2020	**2021**	**2022**	**2022**	**2023**
Self-owned vessels(1)	78.8%	96.1%	92.5%	97.9%	93.8%
Chartered-in vessels(2)	–	99.5%	96.4%	97.8%	100.0%

Notes:

(1) The utilization rates of our self-owned vessels are calculated based on the number of days for which such vessels were in operation and able to generate revenue divided by the number of days for which such vessels were owned by us, during the relevant period. We consider vessels not in operation and unable to generate revenue when they are docked at shipyards for repair, or maintenance, or parked at anchorage for repair and maintenance conducted at the sea or general idling.

(2) The utilization rates of our chartered-in vessels are calculated based on the number of days for which such vessels were in operation and able to generate revenue divided by the number of days for which such vessels were chartered-in by us, during the relevant period. We consider chartered-in vessels not in operation and unable to generate revenue when (i) vessels under time charter are docked for general idling and when (ii) vessels under bareboat charter are docked at shipyards for repair or maintenance, or parked at anchorage for repair and maintenance conducted at the sea or general idling.

We did not have chartered-in vessels in 2020. The utilization rate of our self-owned vessels in 2020 was lower than that in later periods of the Track Record Period, primarily because the gap periods between each charter were relatively longer as a result of lower demand in our time charter services in 2020. The utilization rates of our self-owned and chartered-in vessels in 2022 were also lower than those in 2021, respectively, primarily due to necessary repair and maintenance work performed on certain self-owned and chartered-in vessels in 2022. The utilization rate of our self-owned vessels in the four months ended April 30, 2023 was lower than that in the same period in 2022, primarily due to necessary repair and maintenance work performed on certain self-owned vessels in this period in 2023. The utilization rate of our chartered-in vessels in the four months ended April 30, 2023 was higher than that in the same period in 2022, primarily because of necessary repair and maintenance work performed on certain chartered-in vessel in this period in 2022.

Purchase of ultra large container vessels

To further expand our fleet of vessels, achieve economies of scale and enhance our competitiveness and profitability, we entered into two shipbuilding agreements to order two first-hand ultra large container vessels, each with a capacity of 14,700 TEUs. Purchasing ultra large vessels has a high entry barrier as a buyer needs to have strong overall credibility and competency to operate vessels at this level of capacity. Given our experience in operating deep-sea routes during the Track Record Period, we believe these two vessels will be able to supplement our existing fleet of vessels and allow us to significantly reduce our cost of sales per TEU, offer a competitive price to our customers and improve our sustainability in light of the current volatile market conditions. When demand for cross-border logistics services is high, we may deploy these two vessels to a variety of major routes to provide self-operated cross-border logistics service. When the market condition is fluctuating, we may consider chartering out these vessels to maintain stable profitability due to their good adaptability and economies of scale.

The salient terms of the shipbuilding agreements are summarized as follows:

Scope of the service:	Jiangnan Shipyard (Group) Co., Ltd. (the "Builder") and China Shipbuilding Trading Co., Ltd. (together with the Builder, the "Seller") shall build, launch, equip and complete a container vessel with specifications as fully described in the agreement, and sell and deliver to us such vessel after its completion and trial.
Responsibilities of the Seller:	The vessel shall be constructed in accordance with the rules and regulations issued, having become effective and compulsorily applicable to the vessel up to and on the signing date of the agreement, by Lloyd's Register and in compliance with the rules and regulations as fully described in the specifications in the agreement.
Responsibilities of us:	We agree to purchase and take delivery of the aforesaid vessel from the Seller at a price as stipulated in the agreement.

Registration of the vessel:	The vessel shall be registered by us at our own cost and expenses at the time of delivery and acceptance thereof.
Payment:	We shall pay the price for the vessel to the Seller in four instalments, with (i) the first installment of 20% of the price to be paid within three banking days (*i.e.*, days on which banks are open in the PRC) after our receipt of the refund guarantee as described in the agreement, (ii) the second installment of 10% of the price to be paid on or before December 31, 2022, (iii) the third installment of 10% of the price to be paid within three banking days after keel-laying of the first section of the vessel and (iv) the fourth and last installment of 60% of the price to be paid concurrently with delivery of the vessel. As of the Latest Practicable Date, we had paid the Seller a total of US$84.3 million for the purchase of both vessels, representing the first two installments under the agreements (*i.e.*, 30% of the vessel price). We expect to use external borrowings to settle all of the remaining price (being US$196.7 million). The vessels are expected to be pledged for the external borrowings, which is a typical arrangement and in line with industry practice, according to Frost & Sullivan. After we receive the delivery of the vessels, we expect to incur, in each full financial year and for each vessel, additional depreciation charge of approximately RMB25.0 million, insurance expenses of approximately RMB5.0 million and immaterial maintenance and overhaul provisions as the vessels are new. To illustrate the impact of the associated additional debt we would need to take on, assuming that the two vessels had been delivered and we had settled the remaining price with external borrowings on April 30, 2023, our indebtedness and gearing ratio[1] as of the same date would have been RMB1,434.2 million and 146.4%, respectively.

Note:

1. Calculated based on the sum of interest-bearing borrowings and due to related parties divided by total equity for the respective period and multiplied by 100%.

Payment method:	We shall pay the first three instalments by telegraphic transfer to the Seller in accordance with the agreement. For the fourth and last payment, we shall make an irrevocable cash deposit to the Seller at least ten days prior to the scheduled date of delivery of the vessel for a period of 30 days and covering the amount of this installment. If the delivery of the vessel is not effected on or before the expiry of the aforesaid 30-day period, we are entitled to withdraw the deposit plus accrued interest upon the expiry date. But we shall make another cash deposit in accordance with the agreement when notified of a newly scheduled delivery date.
Delivery:	The vessel shall be delivered safely afloat by the Seller to us at the Builder's shipyard on or before August 30, 2025, which may be extended in accordance with the agreement. Delivery of the vessel shall be effected forthwith by the concurrent delivery by each of the parties hereto, one to the other, of the protocol of delivery and acceptance that shall be prepared in accordance with the agreement, acknowledging delivery of the vessel by the Seller and acceptance thereof by us. We shall take possession of the vessel immediately upon delivery and acceptance thereof, and shall remove the vessel from the premises of the Builder within seven days after delivery and acceptance thereof are effected, failure to do which shall subject us to pay the reasonable mooring charge of the vessel to the Seller.
Title and risk of the vessel:	Title to and risk of the vessel shall pass to us only upon delivery as stated above. Until such delivery is effected, title to the vessel and her equipment shall remain at all times with the Seller and are at the entire risk of the Seller.
Tender:	If we fail to take delivery of the vessel after completion without justified reason, the Seller shall have the right to tender the vessel for delivery.

Cancelation and rescission by us:	We are entitled to exercise our right of cancelation and/or rescission under and pursuant to any of the provisions of the agreement specifically permitting us to do so, and shall notify the Seller by telefax or email. In particular, we may cancel or rescind the agreement if (i) there is a deficiency in the actual speed of the vessel that is more than 1 knot below the guaranteed speed of 22 knots; (ii) the actual fuel consumption of the main engine of the vessel is more than 10% in excess of the guaranteed fuel consumption, *i.e.*, the fuel consumption exceeds 169.29 grams/kW; (iii) there is a deficiency in the vessel's actual deadweight that exceeds 2,500 metric tons below the guaranteed deadweight of 155,000 metric tons at set conditions; (iv) there is a deficiency in capacity for containers that is 280 TEU containers or more; or (v) there have been excessive delays as stipulated in the agreement in delivery of the vessel. The agreement does not set forth a time limit for us to exercise our right of cancelation and/or rescission when such circumstances arise. Such cancelation and/or rescission shall be effective as of the date the notice thereof is received by the Seller. Thereupon the Seller shall refund us within 45 banking days the full amount of all sums paid by us to the Seller on account of the vessel in United States Dollars, unless the Seller disputes our cancelation or rescission by instituting arbitration in accordance with the agreement. Upon such refund by the Seller to us, all obligations, duties and liabilities of the Seller towards us and all rights and claims against the Seller by us under the agreement and any applicable laws shall be forthwith completely discharged and waived. The Seller's refund to us shall constitute the sole liabilities of the Seller towards us, which is in lieu of any other remedies under and/or in connection with the agreement and any applicable laws. Except for the events or occurrences as stipulated in the agreement which entitle us to rescind or cancel the agreement above, no other event or circumstance shall give rise to any right to us for rescission or cancellation of the agreement whether under the agreement itself or any applicable laws.

Insurance:	From the time of keel-laying of the first section of the vessel until the same is completed, delivered to and accepted by us, the Seller shall, at its own cost and expense, keep the vessel fully insured for the Builder's risk. The Seller's obligation to insure shall cease and terminate forthwith upon the vessel's delivery to and acceptance by us.
Disputes and arbitration:	In the event of any dispute between the parties hereto as to any matter arising out of or relating to the agreement or any stipulation herein or with respect thereto, which cannot be settled by the parties themselves, such dispute shall be resolved by arbitration in London, England in London Maritime Arbitrators Association ("LMAA") in accordance with the laws of England and LMAA's then prevailing arbitration rules. Either party may demand arbitration of any such disputes by giving written notice to the other party. Notwithstanding the foregoing, it is recognized that in the event of any dispute or difference of opinion arising in regard to the construction of the vessel, her machinery and equipment, or concerning the quality of materials or workmanship thereof or thereon, such dispute may be referred to the Classification Society upon mutual agreement of the parties. In such case, the opinion of the Classification Society shall be final and binding on the parties.
Assignment:	Neither of the parties shall assign the agreement to any other individual, firm, company or corporation unless prior written consent of the other party is given.

These two vessels are expected to be delivered around 2025. The ultra large container vessels are well adapted and allow us to expand our fleet of vessels. Relying on our self-owned shipping assets, we can flexibly deploy vessels based on market conditions and vessel prices.

Management of vessels

We manage our fleet of vessels to support the effectiveness and expansion of our business operation. We supervise our self-owned vessels to ensure that they are seaworthy and in compliance with the relevant laws and regulations. For our self-owned vessels, we believe that upholding stringent standards to ensure that the vessels are seaworthy and in compliance with all requisite safety and regulatory standards is imperative to our business operation. We have adopted policies and protocols with respect to the repair and maintenance of vessels to ensure that they are in seaworthy condition. Pursuant to our policies and protocols, we are required to conduct a comprehensive check of our self-owned vessels every two to three years to ensure that all equipment are in proper condition. When our self-owned vessels berth at a port after voyage, we also arrange staff to check vessel condition and perform maintenance as needed. In addition, our crew member may conduct ad hoc repair and maintenance arising from defects discovered during transportation.

We manage our self-owned vessels with the aid of information technology systems. For instance, we utilize information technology system to track the locations of our self-owned vessels and to obtain real-time weather information and forecasts, warnings of piracy activities in nearby areas, and information about various ports, so that we can plan ahead and mitigate potential risks. We also use IT systems to monitor the status of our self-owned vessels and communicate with their crew members. The IT systems allow us to effectively track the location, velocity and fuel consumption of our vessels, so that we can report their status to customers.

For our chartered-in vessels, we perform a comprehensive check on vessel condition before chartering them in. We also review the vessels' past performance, as well as the capability and reputation of the ship owners. We have established long-standing relationships with well-known shipping carriers in the industry, which enables us to secure sufficient shipping capacity from various vessel resources. We closely monitor vessel charter-in price and aim to charter-in vessels at optimal pricing, generally without preset terms for hiring in and chartering out vessels. We strategically determine the term of charter period based on market conditions and charter rates. When market fluctuates, we try to set a short and flexible charter period for chartered-in vessels to avoid significant market downturn. When charter rates are at high level, we try to secure a long lease term when chartering out vessels to third parties aiming to procure stable revenue from time charter services. During transportation, we require our crew members to provide daily report covering the location, velocity, fuel consumption and other conditions of chartered-in vessels to ensure satisfactory performance.

Our containers

We purchase and lease containers to fulfill demands from business operation. As of December 31, 2020, 2021 and 2022 and April 30, 2023, the aggregate volume of our owned and leased containers was 2,413 TEUs, 37,438 TEUs, 25,470 TEUs and 24,424 TEUs, respectively. We flexibly adjust our container portfolio as we assess market conditions and container price risks. As of April 30, 2023, approximately 95% of our containers in terms of TEUs were owned by us and approximately 5% were leased from container suppliers. As of April 30, 2023, our owned containers had an average age of approximately two and a half years. Our owned containers are mainly dry containers. We also have owned cold storage containers, ultra-high containers and special containers to cater to the needs of our customers. We also have a variety of leased containers, including cold storage containers and dry containers.

Having our own containers, we are able to provide containers to our customers directly without having to source and lease containers from third party shipping carriers on an order-by-order basis. This helps us secure a stable supply of containers and provide our services at more competitive prices with better service experiences to our customers. In addition, we are able to track the latest status of containers managed by us and report to our customers in a timely manner.

We have a dedicated team responsible for managing containers in a cost-efficient way in order to meet customer demand and minimize costs in utilizing the containers. We believe that, through our efforts, we are able to increase the utilization of our containers, and supply our customers with containers where and when they are needed.

During the Track Record Period, we acquired, disposed of and replaced containers to optimize our container portfolio and improve our cash flow, which resulted in the fluctuation of our container volume. In 2020, we disposed of long-used containers and purchased new containers for our operations. In 2021, in view of the increased demand for containers to support our self-operated cross-border seaborne logistics service commenced in the same year, as well as the increased shipping activities, we purchased more containers to satisfy the needs of our customers despite the relatively higher market price of the containers. In the same year, we disposed of certain containers soon after performing our services and when container price remained high in order to manage risk of container price volatility. We continued to purchase containers for our operational needs in the first half of 2022 and disposed of certain containers primarily in second half of 2022 in anticipation of a decrease in the level of shipping activities. In the four months ended April 30, 2023, we continued to dispose of certain containers in light of the decreasing shipping activities and to reduce container storage fees. See "Financial Information—Description of Certain Items of Consolidated Statements of Financial Position—Property, Plant and Equipment" for details.

Our ground transportation

We engage overseas third-party trucking companies to provide ground transportation services to our customers. These companies have abundant local resources to fulfill the last-mile delivery.

We also have our own trucks and drivers based in China to provide ground transportation services to our customers who require us to pick up their cargo from their designated locations and deliver them to the port. In 2021, we bought a number of trucks to provide ground transportation. Having our own trucks and drivers, we are improving our ground transportation capacity to satisfy our customers' needs and handle orders promptly.

Our pricing policy

We adopt a market-based pricing model for our cross-border logistics services. We typically consider the following factors when determining our pricing: (i) shipping route; (ii) availability of containers; (iii) transaction volume; (iv) availability of vessel slots; (v) shipment volume/weight; (vi) shipping distance and time length; (vii) urgency; (viii) prevailing market rates; (ix) seasonality factors; (x) business relationship with the customer; (xi) our operation costs; and (xii) the loading requirements of destination ports. Pricing terms will be determined by our sales and marketing department.

Import agency services and supply chain solutions

As our cross-border logistics services are susceptible to prevailing market conditions, we believe that our financial performance will decline in 2023 as compared to 2021 and 2022, but will still remain significantly above the level in 2020. According to Frost & Sullivan, the global container shipping volume is expected to grow steadily from 2023 to 2027. We will continue to flexibly deploy vessels and other resources based on market condition for both cross-border logistics services and time charter services. We will also plan to enhance capacity at key logistics nodes to maintain our competitiveness and a stable shipping volume. In addition, we will proactively leverage our cumulative cross-border logistics resources and integration capabilities to seek and explore new sources of revenue. Our asset-light supply-chain solution is expected to be a new growth driver of our business. Relying on our flexible business model and endeavors, we aim to maintain stable shipping volume and operating profitability.

Supply chain solution is a natural business extension of cross-border logistics services as they have overlapping aspects in business operations. According to Frost & Sullivan, it is not uncommon for cross-border logistics service providers to provide supply chain solutions to customers. Since February 2023, we have entered into import agency agreements with clients in China to provide import agency services, pursuant to which we are engaged to procure goods from foreign suppliers and provide logistics services to import the goods to China. As of the Latest Practicable Date, this new service offering was limited to importing paper products from the United States. For each import of goods, the clients shall enter into a standalone import agency agreement with us. The salient terms of the import agency agreements are summarized as follows:

Term:	The import agency agreements typically have a term of one year.

Scope of services:	Pursuant to the agreements, we shall act as the import agent for our clients, who will be the end purchasers of the goods to be imported. We shall execute a sales contract on behalf of our clients with the foreign suppliers to purchase and import the goods as specified in each import agency agreement, and provide import-related services to our clients during the process, including issuing a bank issued letter of credit, payment and settlement for foreign currency transactions and handling customs declaration.
Responsibilities of our clients:	Our clients shall make sure that the goods to be imported are in compliance with the relevant legal rules and customs regulations. If a client needs to amend a sales contract, it shall inform us in a timely manner to separately execute a supplemental agreement with the foreign supplier. Any supplemental agreement or amendment to the original sales contract signed by the client and foreign supplier alone shall be invalid, with the client bearing all losses and responsibilities arising thereof.
Our responsibilities:	We shall provide import-related services to our clients during the import process and may designate a third party to handle certain aspects of such process, such as procedures related to customs declaration and storage.
Ownership of imported goods:	We own the imported goods and are entitled to dispose of the goods before our clients settle the total price of such goods, the import agency fee, tax and other relevant fees. If a client chooses to receive the goods in batches, it shall make the payment for each batch to us in advance and we will release the batches of goods upon receipt of relevant payment.
Deposit:	Before we sign a sales contract with a foreign supplier, our clients shall pay us a deposit by wire transfer, which will be 10% of the total price of the goods to be imported. Upon receipt of the deposit, we will execute the sales contract and provide a bank issued letter of credit within five working days.

	We are entitled to request an increase in the amount of deposit in writing if there is a decline in the market and/or value depreciation of Renminbi that reaches a stipulated degree.
	We rely on the provisions of Deposit and Ownership of Imported Goods to mitigate risks arising from non-payment or delay in payment from clients. If our clients do not pay us pursuant to the import agency agreements, we shall re-sell the goods to third parties and forfeit all deposit.
Payment for imported goods:	Our clients shall settle the total price of the imported goods within three days before the relevant letter of credit expires. A client shall bear the cost of interests and liquidated damages incurred due to its failure to settle the payment in time.
Import agency fee:	We charge an import agency fee calculated as an agreed-upon percentage, currently 0.6%, of the total price of the imported goods. As we just commenced our supply chain solutions in February 2023, we are intentionally limiting the types of goods imported. As we gradually expand our service scope to cover more types of goods, we aim to increase the percentage of import agency fee.
	If an import agency agreement is terminated after its execution and a letter of credit has been issued, the client shall bear relevant costs already incurred (including but not limited to the bank charges) and pay us an import agency fee calculated as another agreed-upon percentage of the total price of the imported goods.
Tax:	Our clients shall pay us the tax or tax deposit pursuant to the national customs regulations, which we will then pay to the customs on behalf of our clients.
	A client shall bear the cost of any late fees incurred due to its failure to pay the tax and other related fees in time.
Storage of goods:	Parties shall sign a separate storage agreement with a warehouse agreed by both parties to store the imported goods. Our clients may pick up the goods by presenting our outbound order and bear the costs incurred for storage.

Termination:	The agreement may be terminated by mutual consent of the parties. If a client has an overdue payment for over 30 days, we are entitled to terminate the agreement and demand compensation from the client to cover all losses arising thereof.

Since we commenced supply chain solutions services in February 2023, we generated revenue of RMB2.4 million from trading of imported goods in the four months ended April 30, 2023. As of the Latest Practicable Date, we had signed a total of 20 import agency agreements with three clients, who are supply chain and international trade companies. As of the same date, nine of these import agency agreements were fulfilled with an aggregate contract value of US$1.1 million, with the remaining import agency agreements to be performed with an aggregate contact value of US$5.7 million.

This business arrangement is mutually beneficial for us and for our clients. For us, this helps pave the way for our planned formal launch of supply chain solutions, *i.e.*, we will purchase goods on behalf of the purchasers with needs in cross-border procurement or sales and provide support throughout the subsequent storage and delivery process. For our clients and other end purchasers as our potential clients, the import process of seaborne transportation, customs clearance and warehousing can be complicated without the assistance of an import agent who is familiar with the process and skilled at handling the related work throughout the process. As we have accumulated comprehensive experience in the cross-border logistics business, which is closely connected to the import and export process, we believe our knowledge of all the key aspects in the import process will help simplify this process for those end purchasers. In the process of establishing the supply chain solutions, we expect to invest resources, such as funds and human resources, and benefit from additional support our existing cross-border logistics business may provide. Going forward, we may consider extending this new business by incorporating our seaborne transportation services as well, so that we will handle more aspects of the import process and generate synergies for both our client and us. We expect this new business will contribute to help us generate revenue and achieve profits in the future.

Time charter services

Time charter refers to the hiring of vessel and crew for a specific period of time. We offer time charter services to our customers by hiring out various types of vessels owned by us or chartered in from third parties. We assign vessels to customers based on chartered-in rental price from third parties, as well as the availability of our own vessels. We typically chartered out vessels for a period ranging from one month to two years. We are responsible for providing seaworthy vessels which have valid operating license and insurance, qualified crew members outsourced by qualified third parties for operating the vessel and the required repair and maintenance; whereas our customers are responsible for paying charter fees, fuel expenses and port charges and determining their shipping route.

Our customers are mainly shipping carriers. Our revenue from our time charter services business line is mainly charter fees. For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, our revenue from this business line was RMB35.5 million, RMB107.3 million, RMB218.8 million, RMB40.4 million and RMB107.2 million, respectively.

Our charter portfolio

As of the Latest Practicable Date, we had chartered out five vessels, with overall capacity of 5,727 TEUs. These vessels are small sized vessels with capacity of not more than 1,700 TEUs each. For details of our vessels, see "—Our Services—Cross-border logistics services—Our fleet of vessels." We usually negotiate with the charterer before the expiry of the charter period to extend the charter period. Our vessels were chartered out at a fixed daily rent determined by our sales and marketing department.

Our pricing policy

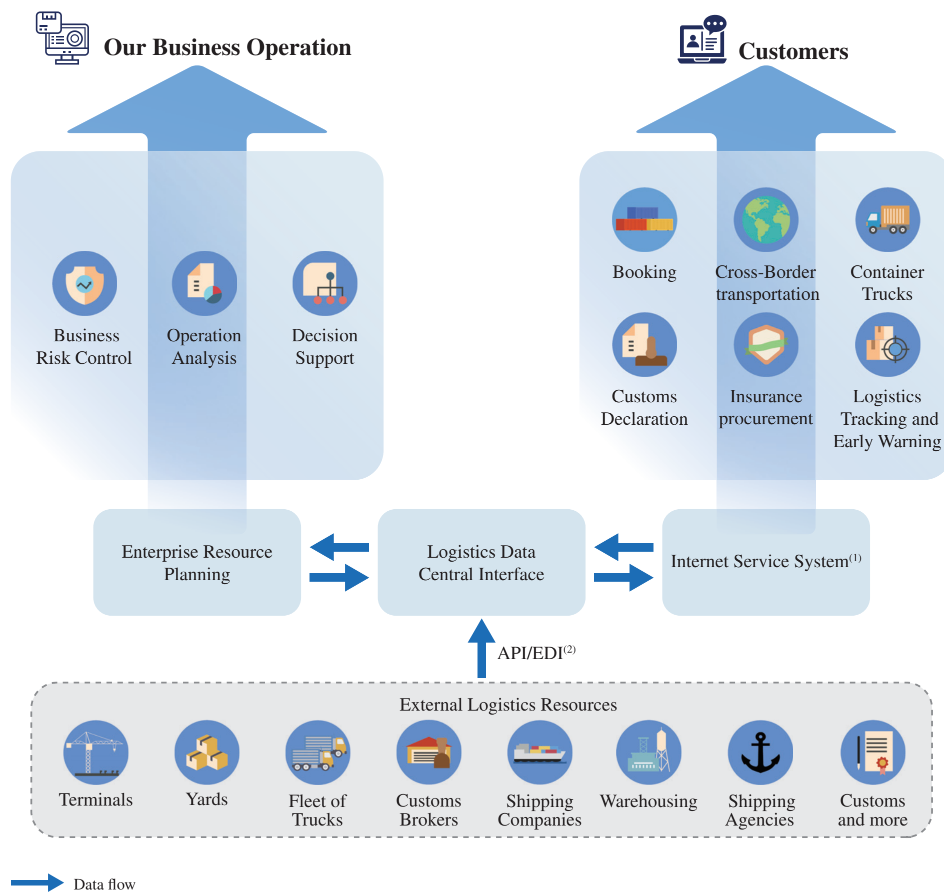
We adopt a market-based pricing model for our time charter services. We typically consider the following factors when determining our pricing: (i) prevailing market rates; (ii) supply and demand of vessels in the market; (iii) type of vessel; (iv) age of vessel; (v) charter period; (vi) availability of our vessels; (vii) business relationship with the customer; and (viii) our charter-in costs.

OUR INTERNET SERVICE SYSTEM

We started building our internet service system and put it into operation in 2015. We believe that one of our competitive strengths is our ability to provide integrated cross-border logistics services to our customers through our internet service system, thereby enhancing the service experience in terms of efficiency and convenience and creating value for our customers.

Overview

Our internet service system, which mainly consists of our Lcang.com (樂艙網), LeCang WeChat Mini App (樂艙微信小程序) and the website of Sijin International (絲金國際), is a one-stop system on which our customers can order our cross-border logistics services and manage their orders. Our internet service system allows various traditionally offline procedures, including checking the shipping prices, booking vessel slots, tracking the status of the orders, managing bills of lading and invoices and account reconciliation, to be handled by our customers autonomously online. The data of our internet service system are synchronized with our internal ERP system and data from external third parties, as well as our central interface containing Lcang logistics data and resources. We also coordinate shipment by the intelligent algorithms of our internet service system. The intelligent system monitors shipment schedule, status of vessels and port availability, and provides prompt warning of any abnormal conditions during transit. All servers of our internet service system are located in the PRC. The following diagram sets forth the data synchronization process of our internet service system:



Notes:

(1) Our customers connect to our internet service system through Lcang.com (樂艙網), the website of Sijin International (絲金國際) and Lcang WeChat mini-app (樂艙微信小程序).

(2) EDI (electronic data interchange) integrates data from external physical documents and processes the information into electronic format. API (application program interface) facilitates data flow in real time using cloud-based technology.

Our internet service system had a growing number of registered corporate users during the Track Record Period. The number of registered corporate users increased from 5,140 as of December 31, 2020 to 12,593 as of April 30, 2023. As of the Latest Practicable Date, our internet service system had 12,779 registered corporate users.

Operation of the Internet Service System

As a digitized system, our internet service system transforms the traditionally offline paper records and communication methods into online data for easier access and analysis. For example, documents such as bills of lading and invoices can be processed digitally. This helps us standardize our services, enhance our operational efficiency and reduce our labor costs.

Through our internet service system, our customer services staff are able to communicate with our customers and respond to their enquiries timely. For the four months ended April 30, 2023, more than 75.0% of our transactions in terms of order volume were completed or served by our internet service system.

From a sales and marketing perspective, our internet service system serves as an online entry point which helps us attract customer traffic from the internet. We use keyword advertising on certain popular search engines to promote our services to potential customers who look for logistics services on the internet. We believe this can help us draw customers and build up a wider customer base in the long run.

Comparison of Lcang.com (樂艙網), the website of Sijin International (絲金國際) and Lcang WeChat mini-app (樂艙微信小程序)

Type of data collected	Lcang.com (樂艙網)	Website of Sijin International (絲金國際)	Lcang Wechat Mini-app (樂艙微信小程序)
Position	Lcang.com (樂艙網) provides online services for cross-border transportation that departs from any port of origin.	Website of Sijin International (絲金國際) provides online services for cross-border transportation that departs from Shanghai, as this website was established by Shanghai Sijin which commenced business operation and continues to conduct business in Shanghai.	Lcang Wechat Mini-app (樂艙微信小程序) offers an online inquiry portal for customers to check transportation information.
Function	Lcang.com (樂艙網) allows customers to book vessel slots, track booking status, manage bill of lading, conduct account reconciliation and application for invoices online.	Website of Sijin International (絲金國際) allows customers to book vessel slots, track booking status, inquire and confirm bill of lading, conduct account reconciliation and application for invoices online.	Lcang Wechat Mini-app (樂艙微信小程序) allows customers to check freight rates, shipment schedule and order status.

Lcang.com (樂艙網), the website of Sijin International (絲金國際) and Lcang WeChat mini-app (樂艙微信小程序) collect users' personal information, including customers' telephone number, as well as name, address and order related details. As the Company only holds approximately ten thousand users' personal information, it is not subject to cybersecurity review prior to listing on a foreign stock exchange. See "Regulatory Overview–Laws and Regulations Relating to Our Business in the PRC–Laws and Regulations Relating to Data Security." Lcang.com (樂艙網), Sijin International (絲金國際) and Lcang WeChat mini-app (樂艙微信小程序) are used for online data processing and transaction management, all of which are e-commerce operations and fall under the second category of value-added telecommunications services pursuant to Catalog for Telecommunication attached to the Regulation on Telecommunications. As confirmed by our PRC Legal Advisors, operation of e-commerce business neither falls within the scope of the Negative List nor falls within the scope of the Encouraging Catalog. As such, the operation of the foregoing online platforms does not fall within the scope of the Negative List and the Encouraging Catalog.

Lcang.com (樂艙網), the website of Sijin International (絲金國際) and Lcang WeChat mini-app (樂艙微信小程序) are used for online data processing and transaction management. We do not collect payment through any of these systems. As confirmed by our PRC Legal Advisors, Lcang.com (樂艙網), the website of Sijin International (絲金國際) and Lcang WeChat mini-app (樂艙微信小程序) are only subject to ICP filing requirement pursuant to Measures for the Administration of Internet Information Services (互聯網信息服務管理辦法), which we had been in compliance with during the Track Record Period and up to the Latest Practicable Date. As Lcang WeChat mini-app (樂艙微信小程序) shares the same website address with Lcang.com (樂艙網), only one ICP filing is required to be made to cover them both. The latest renewal of the ICP filing for Lcang.com (樂艙網) and the website of Sijin International (絲金國際) was completed in January 2023 and December 2018, respectively.

IMPACT OF THE COVID-19 PANDEMIC

The COVID-19 pandemic has adversely affected the global economy and caused disruptions to the global supply chain. In China, the government has imposed strict COVID-19 prevention measures, including lockdowns, closure of workplace, restriction of mobility and mandatory quarantine requirements, which have adversely affected the production progress of the manufacturing industry in China. In 2020, we temporarily closed all our offices in late January 2020 and resumed operation in February 2020. In 2022, there were multiple waves of the COVID-19 outbreak in several provinces in China, which caused our Shanghai office to be closed temporarily in April 2022. We resumed our normal operation in Shanghai in early June 2022.

In view of the COVID-19 prevention measures in China, we have implemented measures aiming at preventing the spread of COVID-19 in our facilities, such as providing face masks and sanitizer to our employees and requiring them to undergo mandatory temperature checks on a daily basis. In addition, our employees would do COVID-19 test and wear masks in compliance with requirements from corresponding local governments. In case any of our employees and/or employees of our subcontractors contracted or are suspected to have contracted COVID-19, we are required to report to the relevant government authorities and such employees would be taken to hospital for treatment.

The COVID-19 pandemic also had impact on the global cross-border logistics industry. Due to the outbreak of COVID-19, the worldwide restrictive measures in 2020 adversely impacted shipping capacity, port operation and labor supply of cross-border logistics. For example, COVID-19 quarantine measures limited available staff at ports and therefore reduced ports' operational efficiency. There were also port congestion and long delay of shipment arrival. As a result, services were reduced due to limited staff and ships that were available, which led to insufficient shipping capacities and supply in the cross-border logistics industry. On average, we experienced delay due to the COVID-19 pandemic and port congestion of approximately 14.6 days per affected voyage and 11.2 days per affected voyage in 2021 and 2022, respectively, and incurred additional vessel charter-in costs for the delayed period, which amounted to an approximately US$20.5 million and US$14.0 million in 2021 and 2022, respectively. Our shipping routes to the western United States were impacted the most, with a delayed period of approximately 22.2 days per affected voyage and 23.8 days per affected voyage in 2021 and 2022, respectively, and incurred additional vessel charter-in costs for the delayed period, which amounted to approximately US$18.5 million and US$13.2 million in 2021 and 2022, respectively, under the China-Americas route resulting from port congestion. The extra costs resulting from port congestion were calculated by the daily charter rates for chartered-in vessels and the number of days delayed due to port congestion. In addition, seafarers were not able to embark on vessels or disembark when their crew member contracts expire because of restrictive quarantine rules. As a result of the imbalance between supply and demand, China Average Composite Containerized Freight Index increased significantly from 970.6 in 2020 to 2,601.9 in 2021, and further to 2,807.0 in 2022, showing a significant increase in market freight rates. Our revenue also grew from RMB781.5 million in 2020 to RMB4,195.4 million in 2021, and further to RMB4,607.9 million in 2022.

In addition, the COVID-19 pandemic changed consumer's shopping habits. The pandemic has resulted in a shift in consumer behavior towards online shopping, which has boosted the e-commerce industry in China and driven the demand for cross-border logistics services to export Chinese products. The increase in demand for cross-border logistics services has, to some extent, led to the growth of our business. For example, we have commenced the offering of seaborne transportation service from China to overseas destinations to capture the market demands for exporting raw materials and goods from China to the global market. We believe the shift in consumer behavior towards online shopping is likely to have a long term positive impact on the cross-border logistics service industry. Taking into account of the above, we believe the COVID-19 pandemic had positive impact on our business performance during the Track Record Period.

Since late 2022, the impact of COVID-19 pandemic on the global cross-border logistics industry has reduced. The unwinding port congestion has released shipping capacity into market, and freight rates of global cross-border logistics services have decreased. We will continue to monitor the development of the pandemic and take appropriate actions in response to any future change.

RECENT MARKET CHANGES AND CERTAIN MANAGEMENT ESTIMATE

The Cyclical Nature of Cross-Border Logistics Service Industry

The cross-border logistics service industry is highly cyclical and characterized by a high degree of volatility in market freight rates. Such cyclicality is influenced by changes in the supply of and demand for vessel capacity and goods to be shipped, which is often underpinned by a broad range of macroeconomic factors. When there is low demand for cross-border logistics services, shipbuilding slows and the number of vessels idled or marked for scrap rises. When demand for cross-border logistics services increases due to changes in the market condition, and if supply is unable to quickly match such an increase in demand, charter rates and freight rates go up and shipbuilding resumes, eventually causing an increase in supply which then brings market charter rates and freight rates go down. Fluctuations in the cross-border logistics service industry are also closely linked to fluctuations in the business cycle, *i.e.*, demand for transportation services will decrease when the business cycle goes down. Please refer to "Risk Factors—The cyclical nature of the cross-border logistics service industry could have a material and adverse effect on our business and results of operations" for details.

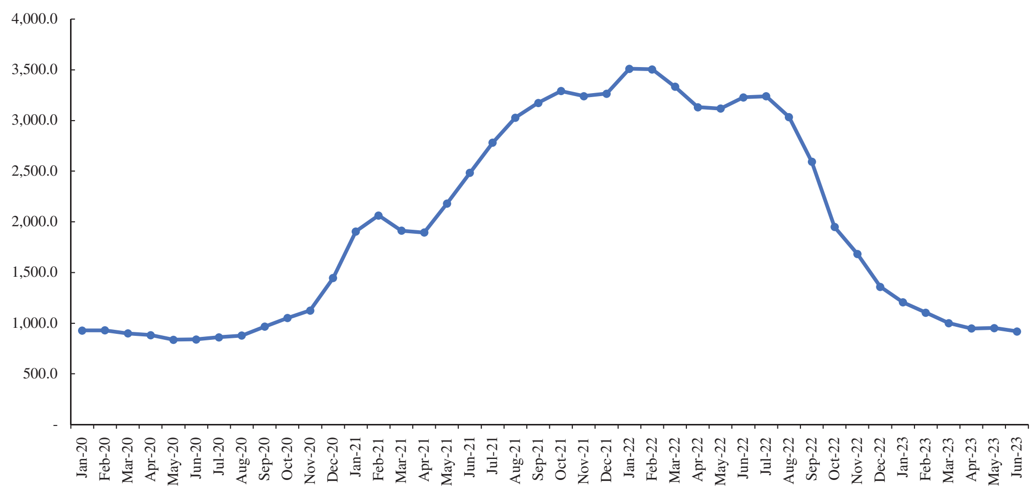
The inherently cyclical nature of the cross-border logistics service industry provides opportunities and poses risks to its market players. Examples of market opportunities associated with the cyclical nature of the cross-border logistics service industry include the heightened freight rates that cross-border logistics companies are able to capture by charging its customers when such freight rates peak. However, in the same vein, heightened freight rates may pose a risk for cross-border logistics service companies who often charter in to enhance their shipping capacity as the charter rates charged by vessel suppliers will also be at heightened levels which may cut into a cross-border logistics service company's potential profits. Another market opportunity is that market players may capitalize on the cyclicality of cross-border logistics service industry by purchasing assets at a cheaper price or chartering in shipping capacity at relatively low market charter rates and then charter out such vessels at higher rates when market sentiments improve.

Conversely, a major associated risk is that the cross-border logistics service industry is inherently volatile and unpredictable, and as such, the ability to capitalize on any potential increases in market newbuilding rates and/or charter rates requires market players to have an astute understanding of the cross-border logistics service industry in order to quickly respond to such volatility and to gauge whether market sentiments will in fact increase. Cross-border logistics service companies without proper market acumen and experience may not be able to shrewdly assess the pulse of the market to grasp any potential market opportunities during times of improvement or mitigate against potential market declines. Additionally, there is no guarantee there will be an adequate demand for cross-border logistics services upon the completion of construction of newly built vessels which may pose a significant risk to market players. Please refer to "Risk Factors—Newbuilding projects are subject to risks that could cause delays, cost overruns or cancelation of our newbuilding contracts and could incur significant indebtedness and outflow of cash" for details.

The China Average Composite Containerized Freight Index and Market Freight Rates

The China Average Composite Containerized Freight Index is a freight rate index formulated by the Shanghai Shipping Exchange, which measures the periodical container shipping cost for certain routes departing from China. Market players in the cross-border logistics service industry often refer to the China Average Composite Containerized Freight Index when gauging whether freight rates offered are in line with the prevailing market conditions. The chart below sets forth the monthly China Average Composite Containerized Freight Index during the Track Record Period and up to June 30, 2023:

China Average Composite Containerized Freight Index (Jan 2020-Jun 2023)



Source: Ministry of Transport of the People's Republic of China

During the Track Record Period, freight rates typically fluctuated in line with the movements in the China Average Composite Containerized Freight Index, which generally affected our financial performance. Due to the sudden surge in demand for cross-border logistics services in China since 2021, there had been a sharp increase in freight rates in 2021 and 2022. The China Average Composite Containerized Freight Index increased sharply from 970.6 in 2020 to 2,601.9 in 2021 and further to 2,807.0 in 2022, on an annual monthly average basis. With the alleviation from COVID-19 pandemic, the China Average Composite Containerized Freight Index had decreased significantly by over 50% since the second half of 2022, which decreased significantly to 918.9 in June 2023 as compared to 2,483.6 and 3,228.4 in June 2021 and 2022, respectively, on a monthly basis. Nonetheless, it was still higher than the pre-COVID level, which was 808.6 in June 2019. While, according to Frost & Sullivan, the freight rates are expected to fluctuate in 2023, they are unlikely to fall below the pre-COVID level in 2019 in the long run because of the rapid growth in the global e-commerce market, the gradual recovery and sustainable development of China's export and import commerce as well as capacity adjustment made by shipping carriers to align with demand fluctuation, according to Frost & Sullivan. Please refer to "Industry Overview—The Market Size of Cross-border Logistics Service Market—Discussion of Shipping Volume and Freight Rates from 2023 to 2027" for further details.

Our Business Adjustments In Light of Recent Market Changes

Market freight rates have deceased significantly since the second half of 2022, which informed us that, if we were to offer self-operated cross-border logistics services in such market environment, our profit margins would suffer significantly. Accordingly, after our last shipment through self-operated cross-border logistics services arrived at its destination in Mexico in December 2022, we had not provided any self-operated cross-border seaborne transportation services in 2023 up to the Latest Practicable Date. Such adjustment in our business focus was made in view of (i) the uncertainty of profitability of our self-operated cross-border seaborne transportation services when freight rates decreased significantly; (ii) the relatively stable revenue and gross profit margin of third-party provided cross-border seaborne transportation services during the first three years of the Track Record Period, and (iii) the Company's preference to mitigate risks and operate prudently when market fluctuates. In the four months ended April 30, 2023, our service volume of cross-border seaborne transportation provided by third parties was 78,862 TEUs. During the same period, we chartered out five vessels, and the utilization rates of our self-owned vessels and chartered-in vessels were 93.8% and 100.0%, respectively. As of the Latest Practicable Date, we also chartered out four self-owned vessels and one chartered-in vessel to generate revenue from time charter services under charter arrangements expiring in 2023. We will continue to monitor the prevailing freight rates, proactively assess our customer demand and remain open to offer our self-operated cross-border seaborne transportation services as and when market conditions are favorable for us to do so.

During this transition period, we deployed and will continue to deploy our resources to provide cross-border seaborne transportation only through third parties as well as to provide our time charter services. As we adjust our operational focus in response to prevailing market conditions, we make dynamic and cautious adjustments in our internal resources and external arrangements in accordance with such adjustments in focus. Internally, we allocated containers flexibly to be utilized for our cross-border seaborne transportation provided by third parties or our self-operated cross-border seaborne transportation services depending on the actual need. In addition, our existing staff for the self-operated cross-border seaborne transportation services, which is a team of ten dedicated employees with sufficient knowledge and expertise, are capable of supporting our cross-border seaborne transportation provided by third parties during the transition. These staff also monitor the market freight rates and will be ready to resume the offering of the self-operated cross-border seaborne transportation services as and when the market conditions are favorable.

Estimated Committed Costs and Expenses Incurred for Our Self-Operated Cross-Border Seaborne Transportation Services in 2023

While our self-operated cross-border seaborne transportation services are on pause, we are incurring committed costs and expenses, including depreciation of containers, container storage fees, as well as salaries of the existing staff for self-operated cross-border seaborne transportation services. The depreciation of our containers are estimated to be no less than approximately RMB17.0 million for the year ended December 31, 2023 (no cash flow impact), while the container storage fees and the relevant staff salary are expected to be immaterial in 2023 (based on such costs of RMB5.6 million incurred in the four months ended April 30, 2023 and our assumption of no self-operated cross-border seaborne transportation services in 2023 for the sole purpose of business evaluation). We do not consider these committed costs and expenses are material to our overall business and results of operations.

Additionally, as we only incur vessel chartering costs, port charges, bunker costs and cargo transportation costs for self-operated cross-border seaborne transportation services when we resume such services, we do not anticipate to incur these costs during the transition period in 2023. We do not have idled crew members during the transition period. Our crew members hired for self-owned vessels are deployed when self-owned vessels are utilized for self-operated cross-border seaborne transportation services or time charter services, and a majority of our self-owned vessels were utilized for time charter services during the Track Record Period. As such, when we do not provide cross-border seaborne transportation services by ourselves, these crew members are utilized under time charter services. We only hire crew members for chartered-in vessels under bare-charter arrangements for time charter services. As such, we do not have excessive or idled crew members for chartered-in vessels. Externally, we carefully monitor our outstanding contract obligations to ensure that we are in compliance, and proactively discuss with our contractual parties to make consensual changes to avoid unnecessary costs. Despite our continuous efforts, we expect that the Group will record a considerable decrease in our revenue, gross profit and net profit in 2023 as compared to 2021 and 2022, due to the foregoing market trend and our business adaption in response to market changes. Please see "Risk Factors—We may not sustain our historical growth" for details.

Our Business Sustainability Despite Recent Market Changes

Notwithstanding the foregoing, the Directors are of the view, and the Joint Sponsors concur, that the Group will remain profitable and sustainable, taking into the account: (i) the Group, with its self-owned vessels and logistics resources, has the ability to flexibly adjust its short-term or long-term service offering strategy based on market conditions, and (ii) the Group's long term profitability will significantly improve as compared to its pre-COVID results of operations.

First, we have a flexible business model that enables us to flexibly deploy vessels and logistics resources to adapt our service offering strategy based on market condition. We provide cross-border logistics services through our self-owned or chartered-in vessels, or through cooperation with third-party shipping carriers. When shipping capacity is tight, freight rates increase. Under such circumstances, we deploy our self-owned or chartered-in vessels for cross-border seaborne transportation instead of cooperating with third-party shipping carriers, to generate more revenue brought by the increased freight rates. Our chartered-in vessels are typically chartered in for a short period of time to avoid market risks, in particular freight rates fluctuation. Subsequent to April 30, 2023, we have not chartered-in any new vessels. In view of the decline of freight rates, we believe that vessel rental fee will drop correspondingly.

Furthermore, in response to such decline in freight rates since late 2022 and the rise of market uncertainties, we have deployed our resources to provide cross-border seaborne transportation services provided by third parties and time charter services in 2023 and up to the Latest Practicable Date, while we continue to closely monitor the prevailing freight rates, proactively assess our customer demand and remain flexible to commence our self-operated cross-border seaborne transportation services as and when market conditions are favorable for us to do so. We are closely monitoring vessel charter-in price and aim to charter-in vessels at optimal pricing. For our cooperation with third-party shipping carriers, we only engage them when customers place orders. As such, we believe that our flexible business model allows us to maintain operational stability and control market risks under cross-border logistics services. Our flexible business model also allows us to remain stable and profitable under time charter services. We charter out vessels owned by us or chartered in from third parties. We flexibly determine charter period based on our strategic prediction of market trends. For example, we chartered out our self-owned vessels in 2022 for more than one year at a fixed price when the market charter rate was high, ensuring us to retain stable revenue before the decline of charter fees.

Second, we believe that we will be able to maintain a stable shipping volume. According to Frost & Sullivan, the global e-commerce market is expected to continue at a CAGR of approximately 10.5% between 2022 and 2027, which, along with the sustainable development of trade activities between China and other economies, will support the stable growth of the global cross-border logistics from 2022 to 2027, with an expected CAGR of 3.2%, and the freight rates will unlikely fall below pre-COVID levels in the long run, according to Frost & Sullivan. We had accumulated a growing number of customers with stable business relationship during the Track Record Period. In view of the rapid growth of e-commerce industry, we will also assign additional resources to attract more e-commerce customers. In addition, we have commenced offering supply chain solutions that is a natural business extension of cross-border logistics services since February 2023. We also plan to cooperate with logistics companies to expand our service destinations and service volume. Accordingly, we believe that our service volume will remain sustainable.

Taking into account the financial resources available to us, including our cash and cash equivalents and potential external financing sources, our Directors are of the opinion that we have sufficient working capital, including sufficient cash and liquidity assets, for the next 12 months from the date of this document.

THE U.S. OCEAN SHIPPING REFORM ACT

In June 2022, the Ocean Shipping Reform Act of 2022 (the "OSRA 2022") was signed into law in the United States. The legislation was introduced with the intention of cracking down on international ocean shipping costs and ease supply chain backlogs that are raising prices for consumers and making it harder for U.S. farmers and exporters to transport their goods to the global market and expresses the objectives of promoting the growth of exports from the U.S. through a competitive ocean transportation system and avoiding excessive detention and demurrage charges to shippers by ocean carriers. In particular, the legal reform introduces a ban on the carriers' unfair and/or unreasonable practices, refusal in transportation service or any other unfair or discriminatory methods against U.S. shippers, and unfair or discriminatory practices, especially in relation to any commodity group or type of shipment, or in relation to tariffs or charges. For example, the legislation requires the United States Federal Maritime Commission (the "**FMC**") to (i) investigate complaints about detention and demurrage charges charged by common ocean carriers, (ii) determine whether those charges are reasonable, and (iii) order refunds for unreasonable charges. According to the F&S Report, and our Directors concur that, the impact of OSRA 2022 is limited to the cross-border logistics service market as it will not cause significant meaningful structural changes but rather a reform of recommended practices in this industry.

We have strictly complied with the requirements of the FMC since the commencement of our routes to the United States under cross-border logistics services, including recording all relevant contracts and making announcements 30 days in advance for any adjustments to the freight rates and surcharges of these routes, to ensure that our operations related to such routes are in compliance. After the OSRA 2022 became effective, we adopted the following measures to ensure that our operations comply with such new rules:

(1) We communicated with the terminal operators and destination port agents in the United States, whom we have a business relationship with, upon the OSRA 2022 became effective to discuss the invoicing matters of demurrage fees and make adjustments where appropriate, making sure that all relevant invoices and fee details will meet the requirements of the OSRA 2022.

(2) With regard to the new charging complaint procedure as stipulated in the OSRA 2022, we promptly published the details of our demurrage charges for import to the United States, the dispute resolution procedures and our contact information on our website to ensure compliance and transparency of our fee details, and standardize our dispute resolution procedures to enhance communication efficiency with customers and improve customer satisfaction.

(3) Pursuant to the OSRA 2022 requirements on the carrier's burden of proof and detailing of invoices, we have strengthened our documentation requirements for our routes to the United States. We have also strengthened our container management system to improve data docking with terminals, yards and agents. In doing so, we make sure the data accuracy of each logistics node and the rationality and compliance of our fee charges.

(4) We have not rejected any demand for export space from exporters in the United States and are willing to increase bookings of export cargo from the United States.

As of the Latest Practicable Date, we were in full compliance with the OSRA 2022 relying on these measures adopted by us. The OSRA 2022, as well as the measures adopted by us, did not have material adverse impact on our business operation and financial conditions.

OUR CUSTOMERS

Our customers generally include manufacturers and trading companies and freight forwarders.

During the Track Record Period, sales to our five largest customers in the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023 represented approximately 19.0%, 9.6%, 10.3% and 29.9% of our total revenue for the respective years/periods, and sales to our largest customer for the same periods represented approximately 5.9%, 2.1%, 2.3% and 10.7% of our total revenue for the respective years/periods. The sales to our largest customer in the four months ended April 30, 2023 represented over 10% of our total revenue in this period, primarily because of a decrease in our revenue during this period. We had established business relationships with our five largest customers in each period during the Track Record Period for one to nine years.

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

For the year ended December 31, 2020

Customer	Sales amount	Percentage of our total revenue	Starting year of business relationship	Background	Major services provided
	(RMB'000)	*(%)*			
Customer A	46,243.9	5.9	2015	A company established in the PRC engaging in shipping agency, supply chain management, freight forwarding, warehousing, cargo handling, customs declaration and inspection declaration, among others.	Cross-border logistics services
Customer B	30,644.2	3.9	2014	A freight transportation company established in the PRC.	Cross-border logistics services
Customer C	28,619.4	3.7	2017	A company established in the PRC engaging in international shipping, import and export of goods and international freight forwarding.	Cross-border logistics services
Customer D	24,136.4	3.1	2018	A company established in the PRC engaging in international freight forwarding, container leasing, ports loading and unloading, customs declaration, inspection declaration and NVOCC businesses.	Cross-border logistics services
Customer E	18,992.2	2.4	2019	A company established in the PRC engaging in freight forwarding, customs declaration, loading and unloading, technical services, supply chain management, warehousing and international shipping support services.	Cross-border logistics services
Total	**148,636.1**	**19.0**			

For the year ended December 31, 2021

Customer	Sales amount *(RMB'000)*	Percentage of our total revenue *(%)*	Starting year of business relationship	Background	Major services provided
Customer B	90,044.9	2.1	2014	A freight transportation company established in the PRC.	Cross-border logistics services
Customer F	82,866.4	2.0	2021	An international courier company established in the PRC.	Cross-border logistics services
Customer G	80,556.7	1.9	2019	A company established in the PRC engaging in international freight forwarding and international shipping support services, among others.	Cross-border logistics services
Customer H	78,839.3	1.9	2021	An international logistics service provider established in the PRC.	Cross-border logistics services
Customer I	70,893.0	1.7	2021	An international logistics service provider established in the PRC.	Cross-border logistics services
Total	**403,200.3**	**9.6**			

For the year ended December 31, 2022

Customer	Sales amount *(RMB'000)*	Percentage of our total revenue *(%)*	Starting year of business relationship	Background	Major services provided
Customer J	105,036.6	2.3	2014	An international logistics service provider established in the PRC.	Cross-border logistics services
Customer G	104,187.2	2.3	2019	A company established in the PRC engaging in international freight forwarding and international shipping support services, among others.	Cross-border logistics services
Customer K	98,901.6	2.1	2020	An international logistics service provider established in the PRC.	Cross-border logistics services
Customer B	89,779.4	1.9	2014	A freight transportation company established in the PRC.	Cross-border logistics services
Customer L	77,182.1	1.7	2021	An international logistics service provider established in the PRC.	Cross-border logistics services
Total	**475,086.9**	**10.3**			

For the four months ended April 30, 2023

Customer	**Sales amount** *(RMB'000)*	**Percentage of our total revenue** *(%)*	**Starting year of business relationship**	**Background**	**Major services provided**
Customer M	48,689.2	10.7	2022	A marine transportation company established in Taiwan.	Vessel leasing services
Customer N	33,145.8	7.3	2021	A company established in the PRC engaging in international freight forwarding and international shipping services, among others.	Cross-border logistics services
Customer O	20,218.6	4.5	2020	A transportation and logistics service provider established in Cyprus.	Vessel leasing services
Customer P	17,920.0	3.9	2022	A sea transportation service provider established in Hong Kong.	Vessel leasing services
Customer B	15,666.5	3.5	2014	A freight transportation company established in the PRC.	Cross-border logistics services
Total	**135,640.1**	**29.9**			

Our Directors confirm that our five largest customers in each period during the Track Record Period were all Independent Third Parties and that none of our Directors, their respective close associates or any Shareholder (which to the best knowledge of our Directors owned more than 5% of our share capital as of the Latest Practicable Date) had any interest, directly or indirectly, in any of our five largest customers in each period during the Track Record Period.

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

Salient terms of agreements with customers

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

Contractual period:	Typically one to two years unless terminated by the parties pursuant to the agreement.
Scope of services:	Cross-border logistics services, including cargo pick-up and sorting, customs clearance, cross-border transportation, warehouse transit and/or last-mile delivery.
Fees:	Fees are determined by scope of services, shipment volume or weight, shipping distance and urgency.
Payment method:	Payments are generally settled in accordance with the relevant agreements with or orders from our customers. We generally require our customers to make payment (i) against our issuance of bills of lading; (ii) before arrival of shipment at the destination port; and/or (iii) on a periodical basis. Our customers may settle payments, according to these three payment methods, directly with us or through the relevant third parties, such as delivery agents and transportation agents involved in the logistics arrangements. According to Frost & Sullivan, the settlement modes are consistent with the industry practice. Under payment against our issuance of bills of lading, our customers, or the agents acting on behalf of the consignors, typically prepay us service fee, including loading port handling charge, freight fee and other expenses associated with the transportation. Fees and expenses at the destination port, including documentation fees and port handling charges, are paid by the consignee at the destination port.

	Under payment before arrival of shipment at the destination port, our customers, or the agents acting on behalf of the consignors, typically prepay the handling charge and relevant expenses at the loading port. Our service fee, freight fee and other expenses are paid by the consignee upon arrival of the shipment at the destination port. In addition, our customers may pay us service fee on a periodical basis according to the terms of relevant agreements.
Termination:	The agreement may be terminated by mutual written consent of the parties or with written notice in advance. If one party intends to terminate the agreement by advanced notice, it shall notify the other party in writing pursuant to the relevant agreement. We did not have any material termination with customers during the Track Record Period and up to the Latest Practicable Date.

Sales and marketing

Our sales and marketing staff are mainly responsible for promoting our services, communicating with our customers and handling their inquiries and orders. As of April 30, 2023, we had 73 sales and marketing staff. Substantially all of our sales and marketing staff are located in China.

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

We also promote our services through our internet service system, which is a one-stop system on which our customers can order our cross-border logistics services and manage their orders online. It serves as an entry point which helps us attract customer traffic from the internet. We use keyword advertising on certain popular search engines to promote our services to potential customers who look for logistics services on the internet. We believe this can help us draw customers and build up a wider customer base in the long run. For details of our online service platform, see "—Our Internet Service System."

Payment terms

We offer different payment terms to our customers, including payment before cargo collection, payment before issuance of bills of lading and periodical payment. We primarily grant our customers a credit period of 30 to 60 days. We determine the credit period granted to our customers and shippers based on the length and depth of business relationship, their credit profile and business volume.

Warranty and goods damaged in transit

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

OUR SUPPLIERS

Our suppliers generally include shipping carriers, trucking companies, railway companies, warehousing service providers, customs brokers, time charter companies, container suppliers and bunker suppliers.

During the Track Record Period, purchases from our five largest suppliers in the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023 represented approximately 43.9%, 23.8%, 27.8% and 28.0% of our total purchases for the respective years/periods, and purchases from our largest supplier for the same periods represented approximately 18.1%, 5.5%, 8.4% and 7.7% of our total purchases for the respective years/periods. We had established business relationships with our five largest suppliers in each period during the Track Record Period for one to nine years.

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

For the year ended December 31, 2020

Supplier	Purchases amount	Percentage of our total purchases	Starting year of business relationship	Background	Major products/ services purchased
	(RMB'000)	*(%)*			
Supplier A	129,876.1	18.1	2018	A shipping agent company incorporated in Singapore.	Cross-border logistics and other services
Supplier B	63,597.1	8.9	2014	A shipping carrier established in the PRC.	Cross-border logistics and other services
Supplier C	40,838.2	5.7	2019	An international shipping agent company established in the PRC.	Cross-border logistics and other services
Supplier D	40,648.6	5.7	2016	An international shipping agent company established in the PRC.	Cross-border logistics and other services
Supplier E	39,911.1	5.5	2018	An international shipping agent company established in the PRC.	Cross-border logistics and other services
Total	**314,871.1**	**43.9**			

For the year ended December 31, 2021

Supplier	Purchases amount	Percentage of our total purchases	Starting year of business relationship	Background	Major products/ services purchased
	(RMB'000)	*(%)*			
Supplier A	204,544.1	5.5	2018	A shipping agent company incorporated in Singapore.	Cross-border logistics and other services
Supplier D	187,028.8	5.0	2016	An international shipping agent company established in the PRC.	Cross-border logistics and other services
Supplier B	184,292.9	4.9	2014	A shipping carrier established in the PRC.	Cross-border logistics and other services
Supplier F	161,492.3	4.3	2021	A transportation service provider based in the U.S.	Cross-border logistics and other services
Supplier G	151,516.9	4.1	2021	A vessel charter company incorporated in the Marshall Islands.	Vessel chartering
Total	**888,875.0**	**23.8**			

For the year ended December 31, 2022

Supplier	Purchases amount *(RMB'000)*	Percentage of our total purchases *(%)*	Starting year of business relationship	Background	Major products/ services purchased
Supplier H	340,053.0	8.4	2019	A sea transportation and domestic shipping management service provider established in the PRC.	Cross-border logistics and other services; vessel chartering
Supplier F	218,389.2	5.4	2021	A transportation service provider based in the U.S.	Cross-border logistics and other services
Supplier E	217,780.4	5.4	2018	An international shipping agent company established in the PRC.	Cross-border logistics and other services
Supplier D	213,034.4	5.2	2016	An international shipping agent company established in the PRC.	Cross-border logistics and other services
Supplier I	139,923.7	3.4	2021	An offshore company incorporated in Liberia engaging in international business.	Vessel chartering
Total	**1,129,180.7**	**27.8**			

For the four months ended April 30, 2023

Supplier	Purchases amount *(RMB'000)*	Percentage of our total purchases *(%)*	Starting year of business relationship	Background	Major products/ services purchased
Supplier C	26,117.0	7.7	2019	An international shipping agent company established in the PRC.	Cross-border logistics and other services
Supplier E	19,638.9	5.8	2018	An international shipping agent company established in the PRC.	Cross-border logistics and other services
Supplier J	17,735.0	5.2	2022	An international transportation and domestic import and export service provider established in the PRC.	Cross-border logistics and other services
Supplier D	15,869.0	4.7	2016	An international shipping agent company established in the PRC.	Cross-border logistics and other services
Supplier B	15,708.8	4.6	2014	A shipping carrier established in the PRC.	Cross-border logistics and other services
Total	**95,068.7**	**28.0**			

In 2021, we commenced to provide cross-border seaborne transportation service operated by us, which resulted in a significant increase in China-Americas shipping routes. In line with such business expansion, we connected with and engaged Supplier F, a local transportation service provider based in the United States, and Supplier G, a vessel chartering company from which we chartered in several vessels, through shipping brokers and/or their official websites in 2021, who immediately became among our five largest suppliers in the same year. As we have access to sufficient vessel resources, we strategically decided to charter in vessels in short terms to avoid market risks and reliance on a single supplier. In 2022, we engaged another supplier for chartered-in vessels with better prices and ceased our charter arrangement with Supplier G. Additionally, as we experienced a significant increase in our time charter services in 2022, Supplier H, a cross-border logistics service provider, from which we chartered in various vessels to meet the increasing demand, became our largest supplier in the same year.

Our Directors confirm that our five largest suppliers in each period during the Track Record Period were all Independent Third Parties and that none of our Directors, their respective close associates or any Shareholder (which to the best knowledge of our Directors owned more than 5% of our share capital as of the Latest Practicable Date) had any interest, directly or indirectly, in any of our five largest suppliers in each period during the Track Record Period.

Our Directors confirm that, to their best knowledge, during the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties in obtaining supplies for our business in a timely manner and we did not have any material disputes with our major suppliers.

Salient terms of agreements with our suppliers

We typically sign master service agreements with third-party cross-border seaborne transportation service providers covering various terms, including contracting parties, contractual period, scope of services, fees, payment method and parties' rights and obligations, among other things. The salient terms of the agreements which we typically enter with suppliers are summarized as follows:

Contractual period:	No fixed term or with a fixed term of one to two years, which may be automatically renewed for successive one to two years unless expressly terminated in accordance with the agreement.
Scope of services:	Seaborne transportation services, cargo sorting, customs clearance, warehousing and/or ground transportation.
Fees:	Fees are determined by scope of services, shipment arrangement, customs brokerage requirement, size of warehouse and usage time and ground transportation arrangement.

Payment method:	All payment due will be paid in accordance with the payment arrangement specified in the agreement, including payment after issuance of invoices and/or periodical payment. Under payment after issuance of invoice, we typically pay upon receipt of invoices from our suppliers. After our payment, our suppliers will release cargo to us. In addition, we may pay suppliers service fee on a periodical basis according to the terms of the relevant agreement.

TRANSFER PRICING ARRANGEMENT

Overview

We established subsidiaries primarily in China and Hong Kong, to provide cross-border logistics services and time charter services. Our subsidiaries perform different functions, including but not limited to freight forwarding services, self-operated seaborne transportation services, shipment arrangements and provision of containers.

Cross-border Logistics Services

The relevant business flow within our Group for our cross-border logistics services during the Track Record Period is summarized as follows:

1. Certain of our subsidiaries in China entered into freight forwarding service agreements or transportation agreements with customers. These subsidiaries in China, namely Shandong Lcang, Qingdao Boya, Ningbo Boya, Shenzhen Lcang International Logistics, Xiamen Lcang and Shenzhen Lcang Cross Border Supply Chain, are collectively referred to as the "**PRC Logistic Subsidiaries**."

2. Our subsidiary in Hong Kong BAL Container Line ("**BAL**") provided cross-border seaborne transportation service. Based on customers' request, the PRC Logistic Subsidiaries booked vessel slots from BAL and paid service fee to BAL. BAL then shipped cargo for customers based on instructions from the PRC Logistics Subsidiaries.

3. In addition, the PRC Logistics Subsidiaries offered marketing support services and operational support services to BAL, such as to attract new customers and coordinate with customers during the transportation process. In return of these services, BAL also paid service fees to PRC Logistic Subsidiaries.

Time Charter Services

The relevant business flow within our Group for our time charter services during the Track Record Period is summarized as follows:

1. BAL chartered vessels from certain of our subsidiaries in Hong Kong, namely BAL Star, Boan Shipping, BAL Qingdao and Lecang Shipping (collectively, the "**Hong Kong Vessel Companies**"). BAL used vessels chartered from the Hong Kong Vessel Companies for cross-border seaborne transportation. For the chartered period, BAL paid charter fees to the Hong Kong Vessel Companies.

2. Moreover, one of our subsidiaries in China namely, Qingdao Wanhao, provided vessel management, marketing and operational support services to and charged related service fees from the Hong Kong Vessel Companies.

Internet Service System Arrangement

The relevant business flow within our Group for our internet service system operation during the Track Record Period is summarized as follows:

1. BAL and the PRC Logistic Subsidiaries conducted businesses through the internet service system developed by Shanghai Hanyun. BAL and the PRC Logistic Subsidiaries then paid service fee to Shanghai Hanyun for the arrangements made on the internet service system.

Transfer Pricing Analysis

Since we have transactions of services among the subsidiaries within our Group, we need to determine the prices of these transactions. The arrangements for such pricing determination are called transfer pricing. Pursuant to the relevant regulations in China and Hong Kong, transfer pricing arrangements must meet the requirement of arm's length transactions. In this regard, we have engaged an independent transfer pricing consultant, Ernst & Young (China) Advisory Limited, (the "**Transfer Pricing Consultant**"), an international professional accounting firm in the PRC, to review our transfer pricing arrangements from an arm's length compliance perspective. The Transfer Pricing Consultant reviewed our intragroup transactions to determine whether their price and profit level under our cross-border logistics services, the time charter services and internet service system arrangement (the "**Covered Transactions**") fall within the price and profit benchmark of arm's length transactions. The analysis was conducted in accordance with the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations issued by Organization for Economic Co-Operation and Development, an intergovernmental organization promulgating world trade policies (the "**OECD Transfer Pricing Guidelines**"), which is consistent with the transfer pricing regulations in China and Hong Kong.

The Transfer Pricing Consultant selects assessment methodology based on the nature and characteristics of the Covered Transactions. Transactional net margin methodology ("**TNMM**") was selected for cross-border logistics services and time charter services, and comparable uncontrolled price methodology ("**CUP**") was selected for internet service system arrangement. TNMM compares the net profit margin of Covered Transactions with the same of comparable transactions between independent parties. CUP compares the price charged under Covered Transactions with the same of comparable transactions between independent parties. Based on the Transfer Pricing Consultant's review, Transfer Pricing Consultant is of the view that the weighted average price and profit level of the Covered Transactions fell within their respective profit range of arm's length transactions during the Track Record Period and, as a result, our pricing arrangements were in accordance with the OECD Transfer Pricing Guidelines.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we were not aware of any outstanding enquiries, audit, investigation or challenge by any tax authorities in Hong Kong and the PRC in relation to our intra-group transactions and transfer pricing arrangements.

Compliance

With a view to ensuring ongoing compliance of the applicable transfer pricing regulations, we have adopted the following measures to ensure ongoing compliance with the relevant transfer pricing laws and regulations in Hong Kong and the PRC:

(i) we shall maintain the engagement of an external tax consultant to advise us on transfer pricing matters annually. The most appropriate transfer pricing method and price and profit level indicator should be selected according to analysis prepared by the external tax consultant. We should formulate the transfer pricing policy of the transactions through financial budgeting according to the result of the analysis;

(ii) training will be provided to our senior management relating to updates on relevant transfer pricing laws and regulations in the relevant jurisdictions;

(iii) our Directors and chief financial officer should review all reporting forms before submitting to the relevant tax authority;

(iv) our Directors and chief financial officer will make sure the transfer pricing arrangement is aligned with each party's value contribution;

(v) our Directors will review the terms of the material inter-company transactions and regularly monitor our transfer pricing policy to ensure the transactions are carried out on arm's length basis; and

(vi) our chief financial officer will document and file relevant supporting documents of value contribution of each party for risk management, including but not limited to responsibilities planning, correspondences, performance and outcome assessment of relevant work.

See "Risk Factors—Risks Relating to Conducting Business in China—We are subject to PRC laws and regulations that could require us to modify our current business practices and incur increased costs" for further details of our Group's risks relating to transfer pricing.

SEASONALITY

According to Frost & Sullivan, customer demand for logistics services can be highly seasonal with the traditional peak season being the third quarter of each year for the China-Americas and the China-Europe shipping routes, as overseas sellers are to prepare for the Christmas and New Year holidays. According to Frost & Sullivan, the traditional peak season for the China-Asia shipping routes is the fourth quarter and before Chinese New Year.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had 13 software copyrights, 25 registered trademarks, 1 utility model patent and 7 domain names, which are, in the opinion of our Directors, material to our business. For further details of our intellectual property rights, see "Statutory and General Information—B. Further Information about Our Business—2. Intellectual property rights of our Group" in Appendix IV to this document.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had not experienced any infringement to our intellectual property rights which had a material adverse effect on our business, results of operations, financial conditions and prospects, and we were not involved in any disputes or litigations relating to the infringement of the intellectual property rights or aware of any such claims either pending or threatened.

PROPERTY

Owned properties

As of the Latest Practicable Date, we did not own any properties.

Leased properties

As of the Latest Practicable Date, we leased 20 properties in China with an aggregated GFA of approximately 5,508.95 sq.m. located in Qingdao, Shanghai, Ningbo, Xiamen, Dalian and Shenzhen, which were primarily used as office premises, and one property in the United States with an aggregated GFA of approximately 194.45 sq.m. located in Anaheim, California, which was primarily used for general office purposes.

As of the Latest Practicable Date, the lease agreements with respect to 20 of our leased properties in China had not been registered and filed with the relevant land and real estate administration bureaus in China because the relevant lessors failed to provide necessary documents for us to register the lease agreements with the local government authorities, which were beyond our control. As advised by our PRC Legal Advisors, failure to complete the registration and filing of lease agreements will not affect the validity of the lease agreements or result in us being required to vacate the leased properties. However, the relevant authorities may require us to complete the lease registrations within a specified timeframe and may impose a fine ranging from RMB1,000 to RMB10,000 for each of such lease agreements for any delay in complying with such requirement. Considering that (i) we had not been penalized by or received any notice from any authorities with respect to potential penalties or enforcement actions as a result of our failure to complete the registration and filing of such lease agreements as of the Latest Practicable Date; (ii) as confirmed by our Directors, should the relevant authorities instruct us to complete the registration and filing of such lease agreement, we would follow the instructions; and (iii) should we fail to complete the registration and filing of such lease agreement according to the instructions, we would not renew the lease agreement and find alternative lease premise, our PRC Legal Advisors are of the view that the likelihood of us being subject to regulatory actions or penalties from the competent authorities is remote. Considering that (i) the risk of us being subject to regulatory actions or penalties from the competent authorities is remote; and (ii) the amount of potential penalties is insignificant as compared to our revenue during the Track Record Period, our Directors are of the view that these incidents would not have any material impact on our business, financial position and results of operations.

In the event that we do not renew these 20 lease agreements, we will be able to find alternative premises in a timely manner. We estimate the total cost of all such relocations would be approximately RMB4.0 million, including property renovation and moving expenses. We believe that such relocation, if occurs, would not have a material adverse effect on our business, financial conditions and results of operations.

We have enhanced our internal control measures in connection with property leasing. We require all of our lessors to provide the necessary documents for lease registration and filing before entering into lease agreements. We also require lessors to cooperate with us in completing and filing lease registration. We assigned designated staff from our administration team to review the documents provided by lessors. They are also responsible to conduct periodical review of new lease documents and follow-up on registration and filing status. The designated staff are required to report to head of administration department regularly. We also provide trainings to our administration team to familiarize them with the legal requirements in relation to property leasing.

During the Track Record Period and up to the Latest Practicable Date, all of our leased properties currently in use in China that required filing with the fire safety authority under the PRC laws had been properly filed with the relevant fire safety authority in accordance with the PRC laws.

EMPLOYEES

As of April 30, 2023, we had a total of 329 full-time employees. Most of our employees are located in China. The table below sets forth the number of our employees with breakdown by function and by location as of April 30, 2023:

Function

China	
Management	28
Operations and customer services	147
Sales and marketing	72
Finance and administration	63
Information technology	15
Hong Kong	
Operations and customer services	2
United States	
Operations and customer services	1
Sales and marketing	1
Total	**329**

Relationship with staff

Our Directors consider that we have maintained a good relationship with our employees. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, save as otherwise disclosed below in this section in relation to social insurance and housing provident fund contributions, we had complied with all applicable labor laws and regulations in all material respects.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had not experienced any significant disputes with our employees or any disruption to our operations due to labor disputes nor had we experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel. During the Track Record Period and up to the Latest Practicable Date, there was no labor union established by our employees.

Training

We provide orientation training to our newly recruited employees to help them understand our corporate culture. We also organize a mentorship program where our more experienced employees help our newly recruited employees to enhance their skills and knowledge in relation to the daily operation. From time to time, we also hold training meetings to enhance the skills of our employees.

Remuneration and benefits

We generally pay our employees a fixed salary, allowances and a performance-based bonus. In general, we determine an employee's salary based on each employee's qualifications, experience and capability as well as the prevailing market remuneration rate. We are required to make contributions to mandatory social insurance funds for our employees to provide retirement, medical, work-related injury, maternity and unemployment benefits, as well as housing provident funds, under the applicable PRC laws and regulations.

During the Track Record Period, we did not make full contribution to social insurance and housing provident fund, the shortfall of which was RMB0.5 million, RMB0.3 million, RMB0.4 million and RMB0.2 million in 2020, 2021 and 2022 and the four months ended April 30, 2023, respectively. We did not make full contribution to social insurance and housing provident funds primarily because (i) we did not promptly adjust contribution to social insurance and housing provident funds according to the adjustment of employees' salaries; (ii) some employees had made relevant contributions elsewhere and would not make duplicate contributions; (iii) newly enrolled employees joined or resigned from our Group in the middle of a month, and we did not make contribution for that month; and (iv) the staff who were in charge of this matter did not fully understand the different regulatory requirements in certain areas where we operated. We may be required by the competent authority to pay up such shortfall within a stipulated period. The maximum amount that we will be required pay is the shortfall amount. If such payment is not made within the stipulated period, the competent authority may further impose a fine of one to three times of the overdue amount. Pursuant to the relevant PRC laws and regulations, if there is any failure to pay the full amount of housing provident fund as required, the housing provident fund management center may require payment of the outstanding amount within a prescribed period. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement. If we are required to pay the shortfall of social insurance and housing provident fund by the competent authority, we shall pay the requested amount within the stipulated period.

For all of our PRC principal operating subsidiaries, we have obtained written confirmations from local social insurance and housing provident fund authorities, each stating that the relevant subsidiary or branch office (i) has properly opened its social insurance and housing provident fund account in accordance with the relevant laws and regulations; and (ii) is not subject to any significant administrative penalty. As advised by our PRC Legal Advisors, the relevant confirmations were issued by the competent authorities. As of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay any shortfall with respect to social insurance and housing provident fund or imposing any administrative penalties on us, nor were we aware of any material employee complaints or involved in any material labor disputes with our employees with respect to social insurance and housing provident fund. In view of the above, our PRC Legal Advisors are of the view that the risk of us being penalized for such matters is remote, and our Directors are of the view such matters will not have a material adverse impact on our business operations or financial performance.

We have enhanced our internal control measures, including designating our human resources department to review and monitor the reporting and contributions of social insurance and housing provident fund on a regular basis, and have taken actions with a view to making full contributions for all employees of the subsidiaries going forward. In order to enhance compliance with relevant PRC laws and regulations going forward, we will consult our PRC Legal Advisors on a regular basis for advice on relevant PRC laws and regulations to keep abreast of latest developments in PRC laws and regulations in relation to social insurance and housing provident funds. We will provide trainings to the responsible staff so that they are familiar with the relevant laws and regulations. We shall also regularly review our contribution to the social insurance and housing provident fund and consult external counsel to ensure compliance with applicable PRC laws and regulations in relation to social insurance and housing provident funds.

INSURANCE

As a logistics service provider, we face a number of inherent risks in our ordinary course of business, such as cargo loss or damage, property loss, vehicle collision and business interruptions due to natural disasters, political unrest, hostilities or otherwise. We maintain insurance policies which cover, among others, containers, third-party liability, transportation risks, property loss and damage and workers' compensation for injury and death. In addition, we maintain charterer liability insurance to cover claims against us from our customers on the goods being transported where we are liable for the damage or loss to such goods, as we are generally not liable for any damage or loss to our customers' goods unless such damage or loss is caused by our negligence.

We also maintain different types of insurance to cover potential losses on our self-owned and chartered-in vessels, which provide sufficient insurance coverage in line with the industry practice, according to Frost & Sullivan. These insurances include: (i) protection and indemnity insurance, covering loss of cargo, casualties, oil pollution, salvage of wreckage and third party liabilities; (ii) charterer comprehensive insurance, covering loss of cargo and third party liabilities; (iii) hull insurance, covering hull and machinery damage, collision liabilities and loss from fire; (iv) pirate and ransom insurance covering transportation into high-risk area; and (v) the standard loss of hire insurance. In addition, as a carrier, we maintain insurance through the London P&I Club, which protects us from liabilities caused by shipping delays. In particular, a customer may only claim loss due to a shipping delay against us when the shipping delay causes direct damage of the quality of the shipped goods and the customer can show proof that the delay was directly related to carriers, then we will file such claim with the London P&I Club. In other events where the shipping delay causes damage or depreciation of the commercial value of the shipped goods, the customer will not be able to make a claim against us for loss due to such delay. Our Directors believe that our insurance coverage is adequate and consistent with industry norm, having regard to our current operations and the standard commercial practice of the industry.

For more information, see "Risk Factors—Risks Relating to Our Business and Industry—Our insurance may be insufficient to cover all losses associated with our business operations."

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

Corporate social responsibility is our obligatory responsibility as a corporate citizen and a key driving factor to promote the long-term development of our Group. Therefore, we have integrated environmental, social and governance ("**ESG**") matters into corporate management and operations and we are committed to complying with the ESG reporting requirements upon the [**REDACTED**].

We have established an ESG governance structure and the related system. Our ESG system is supervised by the chairman of our Board. Our Board has the overall responsibility for establishing and reviewing the ESG vision, strategy, policy and target of our Group, and analyzing, evaluating, and coordinating our ESG-related performance periodically. Our Board is collectively responsible for the formation and establishment of ESG-related mechanisms and policies. Our Board oversees and approves material ESG issues, identifies potential risks in the business development plan, and makes decisions based on the suggestions made. Our management is responsible for monitoring ESG risks and promoting the implementation of ESG-related work. Our management also regularly reports the situation to our Board and communicates with stakeholders on ESG matters. We have also engaged independent third-party advisors as our ESG advisor (the "**ESG Advisor**") to assess our Group's ESG risks and provide professional advices to our Board when necessary. The ESG Advisor will also provide professional ESG advice and support to our Board during its deliberations as needed.

We have also established ESG policies in accordance with Appendix 27 of the Listing Rules. We focus on areas such as environment management, safety management, social matters and corporate governance. Therefore, we have formulated ESG-related guidances, including (i) appropriate risk governance for ESG issues, such as climate-related risks and opportunities; (ii) the guideline for ESG management; and (iii) the guideline for the development of management measures. Under the ESG guideline on environmental protection, we will reduce the production of harmful chemicals and gas emissions. Our ESG guideline on social responsibility and corporate governance aim to ensure that we comply with applicable laws and regulations, contribute to socially responsible causes, and promote the safety and health of our employees at work.

Furthermore, following the [**REDACTED**], we intend to recruit employees with ESG backgrounds to augment our ESG capabilities. Additionally, we will enhance ESG training programs for the directors, senior management and staff to elevate their proficiency in ESG matters. After the [**REDACTED**], we will gradually establish an ESG committee to be responsible for supervising and managing ESG-related risks and matters, including formulating ESG policy and strategies, monitoring ESG issues, reviewing and evaluating sustainability performance, setting metrics and targets, preparing ESG report and making recommendations to our Board. We also plan to establish an ESG working group, comprising representatives from departments carrying various ESG functions as well as environmental and safety, human resource and supply chain related departments, to assist our Board and our ESG committee to execute the ESG strategies.

Materiality assessment

We believe that the conduct of materiality assessment is crucial to the long-term development of our Group, so that our Group can properly analyze and consider the importance of material ESG issues assessment, and it is also a reference for formulating short-term and long-term sustainable development strategies. Therefore, we are committed to building close communication relationships with stakeholders and maintain this engagement on an on-going basis in our daily operations. We will develop a regular communication mechanism with stakeholders in the future to maintain long-term interaction with them. To better understand the needs and expectations of stakeholders, we will conduct a materiality assessment by analyzing the material results from both internal and external assessments that reflects the impacts of relevant material ESG issues on the business and stakeholders.

After the [**REDACTED**], we will conduct a comprehensive materiality assessment in line with the Stock Exchange's "Step-by-step Guide to ESG Reporting" and will use the following methods to identify, assess and manage material ESG issues:

- Identify potentially material ESG issues that may affect the Group's business or related stakeholders based on the Group's development, Sustainability Accounting Standard Board ("SASB") standards, peers and industry characteristics;

- Invite internal and external stakeholders to participate in materiality assessment through questionnaire surveys to express their concerns on each potentially material issue; and

- Analyze the surveys received and prioritize potential material issue.

We hope that in the future, we will gain a more comprehensive understanding of the expectations and suggestions of stakeholders, as well as how to reflect these expectations and suggestions into management decisions, which will lay the foundation for us to formulate long-term ESG strategies and provide a reference for the effective allocation of resources in the future.

Identification, assessment and management of risks

According to our risk management system, our Group will adopt the following approaches to identify, assess and manage material ESG issues and risks:

Identification: The general manager and members of our management are responsible for identifying risks and opportunities and their control measures at the Company's level. Each department head is responsible for identifying risks and opportunities and their control measures for their department. We organize meetings for the management and each department to identify and determine the risks and opportunities involved in each process of the management system. In addition, we adopt a control and risk self-assessment methodology and continuously assess and manage the ESG and climate-related risks through the risk and opportunity assessment analysis form. We will closely monitor environmental, social and climate change situations in the locations where we operate, and formulate relevant policies and measures to cope with the developments where necessary to minimize risks.

We identified and confirmed the potential risks, including physical climate risks, transition climate risks, cargo management risk and energy management risks.

Assessment: We are responsible for reviewing the ESG practices, coordinating ESG works, assessing the potential ESG risks and opportunities according to their likelihood and severity, ensuring that our Group complies with relevant laws and regulations;

We have taken into account the quantitative information that reflects our management for environmental, social and climate-related risks, which mainly include greenhouse gas (GHG) emissions, sulfur oxides (SOx) emissions, nitrogen oxides (NOx) emissions, non-methane volatile organic compound (NMVOC) emissions and resource consumption. GHG emissions include emissions from office operations and vessel operations. We conduct GHG emissions inventory with the assistance of the ESG Advisor in accordance with requirements set forth in the Appendix 27 of the Listing Rules and the ISO14064-1 set by the International Organization for Standardization. We monitor the following metrics for our office locations and vessels owned or chartered-in by the Group in 2020, 2021 and 2022 to assess and manage the environmental and climate related risks arising from our business operations. The ESG Advisor has assisted us in the collection of ESG data materially relevant to our business operations as set out below:

GHG Emissions	**2020[1]**	**2021**	**2022**
Scope 1 (direct emissions) (*tonnes CO_2 equivalent*)	7.61	140,164.88	263,411.26
Scope 2 (indirect emissions) (*tonnes CO_2 equivalent*)	22.66	25.75	57.22
Total GHG emissions (*tonnes CO_2 equivalent*)	30.27	140,190.63	263,468.48
Intensity (*tonnes CO_2 equivalent/Million RMB Revenue*)	0.04	33.42	57.18

Air Emissions	**2020[1]**	**2021**	**2022**
SOx emissions (tonnes)	0.0000414	168.38	291.90
NOx emissions (tonnes)	0.000292	3,256.32	6,195.88
NMVOC emissions (tonnes)[2]	–	137.33	261.23

Wastes Emissions	**2020[1]**	**2021**	**2022**
Wastes generated from vessel operations[3]			
Non-hazardous wastes (m^3)	98.39	112.15	77.89
Sanitary sewage (m^3)	1,250.64	1,497.64	1,611.26
Hazardous wastes (m^3)	0.56	0.08	3.17
Wastes generated from office operations			
Non-hazardous wastes (tonnes)	5.18	8.43	12.68
Hazardous wastes (batteries, toner cartridge) (tonnes)	0.0128	0.0208	0.0312

Resource Consumption	**2020[1]**	**2021**	**2022**
Electricity consumption by office operations (MWh)	37.15	44.31	97.81
Fuel consumption by vehicles and vessels (tonnes)	2.08	44,070.12	82,927.93
Water consumption by office operations (tonnes)	583.32	945.00	1,415.32

Notes:

(1) We did not have cross-border seaborne transportation operated by us in 2020.

(2) NMVOC emissions are produced due to vessel operation.

(3) Wastes generated by our employees from operations of owned vessels were included.

The GHG emission data in the table above covers both Scope 1 and Scope 2 emissions resulted from our operations, with our vessel operations being the primary source of Scope 1 emissions. In terms of Scope 3 emissions, the majority of emissions are indirect and stems from activities such as (i) emissions from purchased goods and subcontractors, (ii) emissions from port activities, such as cargo loading and unloading, (iii) shipbuilding and maintenance and (iv) emissions from employee transportation, among others. Our Company recognizes the significance of reducing its Scope 3 emissions and is proactively taking steps to achieve this goal. Specifically, we plan to commence relevant data collection and calculation with the assistance of the ESG Advisor, as part of our commitment to sustainability and responsible business practices.

Management: We have established risk management framework and internal control system to identify and analyze risks faced by our Group, adopt management measures to mitigate risks and formulate new measures where necessary.

Potential Risks	Potential Impacts and Management
Physical climate risks (such as extreme weather events and global temperature increase, including acute climate risks (such as typhoons and flooding) and chronic risks (such as extreme high temperature))	Physical climate risks may cause damage to infrastructure and facilities, such as docks, cargo ships, cargo and data centres, causing an increase in maintenance and operating costs. Extreme weather may also cause a vessel to deviate from its original route, making it difficult to arrive at the docks on time, which will eventually affect the personal safety and daily operations of our Group's employees, and even bring possible economic losses. We will pay close attention to weather forecasts and vessel conditions including various safety parameters. The health and safety of employees may also be at risk due to climate-related issues, such as increasingly frequent extreme weather conditions. Nevertheless, economic loss and safety incidents can be minimized by strengthening emergency response protocols for acute extreme weather. We also formulate emergency plans targeting climatic extremes, and promptly notify employees and other personnel to take relevant measures to ensure their safety.
Transition climate risks (such as policy and regulatory risks)	Transition climate risks may cause policy and regulatory risks. China is intensively promulgating policies and regulations in relation to green transportation. If we fail to strengthen compliance management and promote the transformation in time, we will face with increasing regulatory pressure. We will track the latest laws and regulations on climate change and integrate them into our management strategies.
Energy management	Inefficient energy management will lead to over consumption of energy, which increases operation costs due to unnecessary energy consumption. Fuel used in our operations is the main source of our greenhouse gas emissions. Therefore, regular hull cleaning, maintenance and inspection can prevent fuel leakage so as to reduce unnecessary energy consumption. We will regularly monitor greenhouse gas emissions and ship navigation in real time for assessing the fuel consumption per unit of vessel capacity.

Based on our assessment, it is anticipated that with a suitable implementation of appropriate risk mitigation measures as mentioned, potential physical risks due to extreme weather conditions, and potential transitional risks due to changes in climate-related regulations and policy would not be significant to our business. We will continue taking proactive steps to address climate related risks, including monitoring the changes in the magnitude of physical and transitional risks, improving our environmental performance via minimizing our emissions and tracking our climate-related metrics and targets, and undertaking further climate risk and opportunity studies—including scenario assessments over the short, medium and long terms to closely assess and manage climate-related risks in our operations.

To the best knowledge of our Directors, we were not aware of any material non-compliance of the relevant laws and regulations and our own policies relating to the environmental, social and governance requirements during the Track Record Period and up to the Latest Practicable Date. Going forward, we will continue to ensure our compliance of such requirements to avoid any negative impact on our business, financial conditions, results of operations and public reputation.

Environmental Compliance Key Performance Indicators

The ESG Advisor has assisted us in the review of the environmental compliance key performance indicators during the Track Record Period, which is set forth in the table below. The key performance indicators for our environment compliance is calculated based on our unaudited management accounts.

	As of December 31,		
	2020	**2021**	**2022**
Environmental compliance costs[1] (million RMB)	> 1.08	> 1.70	> 3.14
Fines and administrative penalties for environmental violations	–	–	–
Number of ecological and environmental accidents caused by oil leakage	–	–	–

Note:

(1) These represent our costs of regular maintenance and routine servicing of our vessels that mitigate the impact of our vessel operations on the environment, the major components of which include costs in connection with (i) ballast water treatment systems used to minimize the environmental impact of ballast water discharge; (ii) the use of anti-fouling hull paint that is eco-friendly; and (iii) disposal of wastes generated on the vessels.

Environmental, Social and Corporate Management

Targets

With a sustainable perspective, we are committed to minimizing our environmental impact by monitoring our resource consumption and pollutant emission (including Scope 1 emission) levels. Our aim is to achieve the short-, medium- and long-term targets set by the IMO.

According to the mandatory regulations of the IMO, we will reduce the annual operational carbon intensity indicator (CII) (which is a yearly reduction factor that has to be applied to enable continuous decrease of a given vessel's operational carbon intensity within a defined rating level) by 5% in 2023 compared to the CII in 2019. From 2024 to 2026, we expect to reduce the CII by 2% every year. The CII rating from 2026 to 2030 will be determined based on data evaluation from 2024 to 2026.

In the short term, we are committed to meeting the requirements of the new IMO Energy Efficiency Existing Ship Index (EEXI) (which is used to designate a vessel's energy efficiency compared to a reference value) and the annual operational CII for existing vessels by 2023. In the medium term, we plan to achieve a 20% reduction in Scope 1 emission and GHG emission intensity by 2030 compared to 2022 levels. In the long term, our goal is to reduce the Scope 1 emission and GHG emission intensity by 40% by 2040 compared to 2022 levels and achieve carbon neutrality by 2050. Our fuel oil consumption intensity and GHG emission intensity targets are as follows:

	2022	**2030 Target**	**2040 Target**	**2050 Target**
Fuel oil consumption per unit output (revenue) (tons of fuel/million RMB)	18.00	20% reduction from 2022	40% reduction from 2022	To achieve 90% fuel substitution
GHG emission intensity (tons of carbon dioxide equivalent/ million RMB)	57.18	20% reduction from 2022	40% reduction from 2022	To achieve carbon neutrality
Scope 1 emission intensity (tons of carbon dioxide equivalent/million RMB)	57.16	20% reduction from 2022	40% reduction from 2022	To achieve carbon neutrality

Our Plans to Achieve the Emission Targets

Most of our greenhouse gas emissions come from direct emissions (Scope 1). Hence, we should mainly focus on reducing greenhouse gas emissions (Scope 1) to achieve these goals. To reduce fuel emissions and achieve emission reduction goals, we have planned several actions while maintaining financial sustainability.

Vessel Upgrade Plan and Clean Fuel Implementation to Reduce Scope 1 Emissions

We will implement the use of renewable energy resources other than traditional fossil energy through the full application of methanol fuel in all fleets and carry out energy-saving technological transformations. Compared with traditional marine fuel, methanol has low nitrogen oxides, sulfur or low particulate emissions. It is reported that the use of methanol fuel is approximately 20% less GHG emission than heavy fuel oil. It is estimated that the use of methanol fuel will reduce approximately 50.81 tonnes of CO_2 equivalent GHG emissions per day compared to heavy fuel oil. Moreover, we plan to install carbon capture and storage (CCS) by 2030 and aim to achieve an emission reduction rate of 40% in accordance with IMO's GHG emission requirements.

We plan to gradually phase out older vessels (particularly those with high attained EEXI and further investments on technical upgrades and retrofit would not be feasible and/or commercially sensible) before 2030. After 2030, we will gradually retrofit relevant equipment to fully realize the use of methanol as the sole fuel. We plan to retrofit newer vessels that are methanol-ready to use methanol as the only fuel source after 2035 when the application of the relevant technology becomes more prevalent and economical and methanol as an alternative fuel becomes more accessible, thereby achieving emission reduction. We have also contracted to purchase two new 14,700 TEU vessels that expected to be delivered by 2025. These two new vessels are installed with desulfurization equipment and shaft generators with an estimated cost of RMB46.93 million. The desulfurization equipment and shaft generators will be able to remove sulfur oxides in the exhaust gas and reduce the overall operating time of fuel engines, thereby saving fuel and reducing both air pollutant emissions and greenhouse gas emissions from such vessels. These two new vessels will also utilize suitable fuels to comply with IMO GHG emission requirements and effectively control GHG emissions. To the best of our knowledge based on our industry understanding, we estimate the prevailing retrofit costs for each of our two new vessels will be approximately RMB195 million.

We will achieve our goals in 2030 and 2040 through our vessel upgrade plan and clean fuel implementation in those respective years. As the application of the technology on clean alternative fuels such as methanol becomes more prevalent and economical, we expect to gradually transition to zero-emission vessels and achieve carbon neutrality by 2050. We anticipate that the overall costs may reduce in the future as the relevant technology will mature further and become more widely adopted in the shipbuilding and supply industries. Overall, we are committed to adopting various initiatives including the use of clean fuel, the installation of CCS and technological transformations in the vessels and continuously exploring other possible measures to achieve carbon neutrality by 2050.

Energy Efficiency and Emissions Reduction Measures

We have implemented several measures to reduce emissions and exhaust gas in various aspects, such as vessels, operations, fuel oil, and employees, to minimize our impact on the environment and the ocean in our daily operations, with the aim of ultimately achieving our short-, medium- and long-term targets. Our initiatives include adopting energy-saving operation measures (such as hull cleaning and use of specialized hull paint to decrease drag, route optimization to lessen fuel consumption and pollution while maintaining vessel performance).

To achieve our short-term targets, we have engaged a third party to measure the EEXI for our vessels, ensuring that they adhere to an energy-efficiency threshold standard. We apply high-quality hull anti-fouling paint to minimize hull pollution and resistance, as and when required, and clean propellers to increase navigation efficiency from time to time. We seek to continuously improve fuel oil management by gradually switching our vessels with the appropriate technical design to use high-quality fuel oil, gradually reducing the use of mixed oil where appropriate and reducing navigation resistance through more efficient combustion. We regularly organize training related to environmental protection for our employees, especially the crew, to strengthen their environmental awareness, promote good habits of energy conservation and reduce resource consumption in our operations. To achieve our medium- and long-term targets, we target to increase the maintenance of various vessel equipment as appropriate, with a view to ensuring that they operate with optimal efficiency and reduce wastage of energy resources such as fuel oil, lubricating oil and other consumables. We believe this will improve the efficiency of resource and energy utilization in the long term.

During our operations, we closely monitor the vessel's route and optimize it based on factors such as weather conditions, sea currents, sea conditions, and arrival time before sailing. We adjust the vessel's loading including the trim and ballast water according to the cargo situation to achieve optimal operating conditions. We submit annual reports on the fuel consumption of our vessels to the Panama Maritime Authority (PMA) for compliance review.

We will continuously upgrade the technical infrastructure or gradually phase out our vessels if the CII rating target cannot be reached during the period to ensure a continuous decrease of our vessels' operational carbon intensity within a defined rating level.

Conclusion

In summary, our key initiatives include the following:

1. Fleet modernization: phasing out older vessels and replacing them with newer, larger vessels with more advanced technical infrastructure capable of accommodating various environmental solutions that may become accessible in the future, to improve operational efficiency. When we acquire new vessels in the future, we will take into account our ESG targets and ensure such vessels will have the technical design and infrastructure to support our ESG initiatives. For example, the two new 14,700 TEU vessels that we have contracted to purchase are

"methanol-ready," which will enable us to retrofit such vessels to use methanol as a significantly cleaner fuel source in the future. The use of methanol as fuel significantly reduces carbon dioxide emissions. However, currently the availability of methanol as a fuel source for vessels is limited and the application of the technology is at a relatively nascent stage. We believe that methanol holds potential as a future vessel fuel to replace conventional fossil fuels. We expect that the worldwide availability and distribution of such alternative fuel in the future will help us transition to zero emission vessels in the long term. We will carefully monitor the development in this space and evaluate our options to achieve our ESG targets.

2. Economic speed strategy: leveraging real time availability of global weather forecasts and port congestion updates and other relevant maritime intelligence, implementing a strategy of optimizing route at a constant and optimal speed to reduce fuel consumption without compromising on delivery times or operational efficiency.

3. Scrubber installation: installing scrubbers on new vessels to reduce emissions and comply with environmental regulations.

4. Shaft generator installation: installing shaft generators on new vessels to provide a reliable and efficient source of electrical power, reducing fuel consumption and improving power generation efficiency. By using a shaft generator, the vessel can reduce or switch off the auxiliary engines that normally provide electricity, saving fuel and lowering greenhouse gas emissions, as well as other pollutants such as nitrogen oxides, sulfur oxides and particulate matter. This can also improve the vessel's energy efficiency and compliance with environmental regulations and standards.

5. CCS installation: installing CCS on new vessels to reduce emissions 40% and comply with IMO's GHG emission requirements.

These actions provide long-term financial benefits by reducing fuel costs and, where relevant, carbon taxes, and contribute to overall financial sustainability. As when and appropriate, we will engage ESG advisers in the maritime sector to guide our approach to achieving our ESG targets and make appropriate modifications as necessary.

We have conducted a financial impact assessment of our fuel expenditure, which accounted for approximately 4.3% and 9.7% of our total operation cost in 2021 and 2022, respectively. Based on our assessment, the current fuel expenditure has a relatively low financial impact on our Group. Going forward, we plan to increase our fuel consumption efficiency and reduce Scope 1 and GHG emissions by adopting the measures mentioned above. In the context of our Group as a whole and given we expect to reach our ESG targets in stages (short-, medium- and long-term) and in a planned manner, we do not currently anticipate we will incur any financial impact that will have a material adverse impact on our operations, financial condition or prospects.

Environmental protection management

Our operations are subject to various environmental laws and regulations that regulate oil, air, sewage and other types of pollutions in connection with our business. In particular, we are subject to PRC environmental laws and regulations. See "Regulatory Overview—Laws and Regulations Relating to Our Business in the PRC—Laws and Regulations Relating to Environmental Protection." We place an emphasis on environmental protection and strive to conduct our research and development activities on an environmentally friendly basis and use environmentally-friendly technologies and products. During the Track Record Period, we had not been subject to any material fines or legal actions arising from non-compliance with environmental regulations.

We manage and control gaseous emissions in strict accordance with international conventions and regional requirements of each port. All operating ships are equipped with anti-pollution equipment that meets international conventions and has obtained International Sewage Pollution Prevention (ISPP) and International Oil Pollution Prevention (IOPP) certificates. According to the latest requirements of IMO and local laws and regulations, we continuously improve to upgrade pollutant treatment equipment and emission management measures for all operating ships. We have conducted the Fuel Oil Consumption Data Collection Plan (《燃油消耗數據採集計劃》) of the IMO's Ship Energy Efficiency Management Plan (《船舶能效管理計劃》) to ensure compliance with the requirements of the Statutory Inspection Rules for Ships and Offshore Facilities (《船舶與海上設施法定檢驗規則 》) issued by the China Maritime Safety Administration (中國海事局). In addition, we have established a sound environmental management system and adopted effective disposal measures for different types of pollutants to ensure that the discharge of various pollutants complies with international and local laws and regulations, and to prevent environmental pollution incidents.

We implement special management on chemicals and dangerous goods from our shipment. We will obtain approval from the competent maritime administrative authority for carrying hazardous polluting cargo according to the relevant specifications on pollution and environmental protection standards set forth by the local governments. According to our regulations on the management of chemicals and dangerous goods, if it is approved as general chemicals, the customer is required to provide the original non-dangerous guarantee letter, which will be accepted as ordinary goods. If it is approved as dangerous goods, it will be picked up as dangerous goods. The customer needs to send the required documents such as the dangerous goods consignment information form and the outbound dangerous goods transportation packaging identification result to the port document customer service department at least seven working days before the ship's port call to identify the customer's dangerous goods. After receiving the approval of dangerous goods, the customer service department of the port documents will notify the customer to book space online. We have the right to take corresponding preventive and/or disposal measures in case there are reasonable grounds to believe that the dangerous goods have endangered or may endanger other property and personal safety.

During the Track Record Period and up to the Latest Practicable Date, our vessels had complied with the relevant IMO regulations and the emission requirements under the International Convention for the Prevention of Pollution from Ships. During the Track Record Period, the annual cost of complying with environmental laws and regulations was not material in the context of the Group and we anticipate that the annual cost of complying with applicable environmental matters will increase as global ESG awareness and relevant requirements continue to evolve along with the growth of our business, but we do not currently anticipate that any such increase would have a material adverse impact on our business operations, financial condition or prospects. We will continue to monitor our fuel consumption level to reduce energy consumption and enhance fuel efficiency.

Vessel safety management

We have formulated vessel safety management manual to ensure our operating vessels are inspected and maintained regularly. The vessel safety management manual requires all operating vessels to maintain seaworthiness condition and comply with relevant laws and regulations during operation. During the Track Record Period and up to the Latest Practicable Date, there had been no vessel safety accident that would have materially adverse impact on our business operation or financial condition.

Moreover, our vessels have already met relevant industrial and safety-related standards and requirement and have obtained relevant certifications, such as the Cargo Ship Safety Radio Certificate (《無線電安全證書》), Cargo Ship Safety Equipment Certificate (《貨船設備安全證書》) and International Load Line Certificate (《國際船舶載重線證書》), to ensure safe operations and high quality of ships. Based on the Ship's Safety Inspection Record (《船舶安全檢查記錄》), we record and check the health and safety-related conditions in various spots of the vessels such as the bridge, on deck, machinery space and radio operation room, to ensure all the equipment and facilities of the vessels meet the relevant health and safety requirements and standards.

Cargo management

We have established a document and customer service department management handbook to strengthen our cargo management. It is developed based on the ISO9001 standards and relevant regulations, combined with the actual situation of the document and customer service department, which clarifies the principles and standards that the document and customer service department should comply with during the pre-sale stage, in-sale stage, and after-sales service stage to ensure the operation of the shipment and delivery of goods. According to the Regulations on the Administration of Chemicals and Dangerous Goods (《化學品、危險貨物管理規定》), if customers entrust us to ship hazardous goods, they are required to provide the required documentation such as the Dangerous Goods Booking Order (《危險品訂艙委託單》), the Material Safety Data Sheet (MSDS) (《物質安全數據表》) and the Third Party Inspection Report (《第三方檢驗報告》), with respect to the hazardous goods and shipment arrangement. Our operation department shall promptly transfer the documentation to shipping carrier to verify if such goods can be transported. Once confirmed, we will procure the shipping carrier to make appropriate arrangement to ensure safety during transportation. Furthermore, we have established the regulations on the prevention and disposal of false and concealed dangerous goods to further standardize the transportation process of dangerous goods and ensure the safety of maritime cargo transportation. We take corresponding preventive and/or disposal measures in case there are any accidents. Any costs, risks, losses and responsibilities related to the dangerous goods, regardless of their occurrence or nature, shall be fully assumed by the customer.

Emissions and waste management

Our Group imposes control on the discharge of offshore wastes, bans arbitrary dumping of offshore wastes and over-standard discharges. We continue to improve the environmental management system by specifying pollutant management methods, greenhouse gas control measures and emergency protocols of accidents, so as to ensure compliance with the international, PRC, and local's laws and regulations. We have formulated the vessel pollution prevention guidance based on the Ship Board Management Manual to ensure that our anti-pollution equipment of vessels meets the requirements of the related rules and regulations. We have complied with the International Pollution Prevention Conventions that our vessels hold the following valid certificates and record: (i) International Oil Pollution Prevention Certificate (《國際防止油污證書》); (ii) International Air Pollution Prevention Certificate (《國際防止空氣污染證書》); (iii) International Sewage Pollution Prevention Certificate (《國際防止生活污水污染證書》); (iv) Shipboard Oil Pollution Emergency Plan (《船舶油污應急計劃》); (v) Garbage Management Plan (《垃圾管理計劃》); (vi) Oil Record Book (《油類記錄簿》); and (vii) Garbage Record Book (《垃圾記錄簿》). We have developed an "Oily Sewage Discharge Procedure" for our vessels, which includes equipping them with anti-pollution equipment and documentation. This includes setting up contaminated oil storage tanks, installing standard discharge fittings, and oil-water separation equipment or filtration systems. Our treated oil effluent discharge complies with standards of "Technical Regulations for Statutory Inspection of Sea-going Vessels on Domestic Navigation" issued by the Maritime Safety Administration of the People's Republic of China, with a concentration of below 15 ppm. We have obtained the "International Oil Pollution Prevention Certificate" by installing a 15 ppm monitoring and alarm device and successfully passing the inspection by the China Classification Society (CCS). In case of any accidental or operational oil spill, our emergency measures for oil spill lists the emergency measures, measures considered to be taken and a report to our Group for employees to adopt. Employees should record the whole process of spilling and coping actions, check spilling range, state details of other vessels or third party property affected by the spill and submit a Note of Sea Protest, and keep in touch with the Company about the immediate progress.

To reduce the vessel pollutant during our operations, we strive to use low sulfur oil to reduce gaseous pollutant emissions, improve the transportation energy efficiency and reduce fuel consumption, gaseous pollutant and GHG emissions at source.

Our Group will also take measures to treat the sewage generated during the operation of vessels and monitors the discharge data to avoid harm to marine organisms in the following areas: (i) vessel waste and sewage; (ii) oily waste water, waste water containing toxic and hazardous substances; (iii) exhaust gas and other pollutants, as well as ballast water discharged by vessels into the seas. Our waste management integrates the procedures of collection, separation and identification before handling and discharging of waste. For non-hazardous waste on land and at sea, we recycle and reuse as much as possible to reduce the amount of waste generated. For sewage generated during ship operations, we take measures to treat and monitor discharge data to avoid harming marine life. Our domestic wastewater undergoes preliminary treatment before discharge, and the treatment equipment has been certified by the China Classification Society (CCS). In the event of equipment damage, we will send the untreated domestic sewage to the port reception facility for treatment. Regarding oil generated during ship operations, our oily-contaminated water is treated by an oil-water separator that has been certified by the China Classification Society (CCS). The filtered water is discharged only in areas greater than 12 nautical miles and not in special areas. The filtered oil is stored in a waste oil tank on board the vessels and is sent, along with oil residue, to the port reception facility for disposal. At the same time, we prohibit the emission of the substance liable to consume ozonosphere, including the emission in the process of maintenance and repair of machinery. The solid waste generated in our shipping operations typically consists of land-based office waste, marine domestic waste, and food waste. To manage this waste, we have formulated a solid waste management plan in accordance with the requirements for the management of hazardous substances and solid waste adopted by the Marine Environment Protection Committee of the IMO during its 70th session in 2016. We collect marine domestic waste and food waste separately and deliver them to the port reception facility for disposal, in compliance with the laws and regulations of the receiving country. Once any ozone-depleting substances are produced, we will send them to the receiving facilities on the shore for professional treatment and would not dispose of the substance depleting the ozonosphere at discretion. We will identify the reusability and the nature of the waste to determine whether it can be discharged into the sea.

Energy management

We aim to operate and manage electrical equipment in our office in an environmental-friendly way. We actively conserve energy to reduce the electricity consumption of our operations every year. For example, we try to use LED lighting to replace traditional fluorescent lights to reduce energy consumption in our office. We regularly inspect and maintain the lighting system and air-conditioning system to ensure high energy efficiency is maintained. We regularly inspect the electricity usage of the property. We will undergo immediate repairs when the related facilities fail and cause abnormal electricity usage. We also provide environmental protection training to employees to increase their awareness of energy consumption to reduce office electricity consumption.

Fuel oil is the main energy source of container shipping business. We actively explore high quality use of fuel oil, monitor the use of fuel oil, implement fuel-saving measures and conduct shore power transformation. In addition, we improve shipping energy efficiency and reduce fuel consumption by using low-sulfur oil to reduce gaseous pollutant emissions that can reduce gaseous pollutants and GHG emissions from the source. We have formulated the Use of Low Sulfur Oil Regulation and assign a ship's master as the overall person responsible for the implementation of the regulations on the ship. In order to improve the effectiveness of fuel oil management and control, we have established a series of documents including the Prevention of Air Pollution from Ships Rules and Oil Record Book, which record the details of fuel species, date, time, ship's position and bunker stock, etc. Besides, we have collected the fuel consumption data and established a dynamic monitoring system on fuel consumption under the Fuel Oil Consumption Data Collection Plan (《燃油消耗數據採集計劃》) of the IMO's requirement of the Ship Energy Efficiency Management Plan (《船舶能效管理計劃》). In addition, we will strive to analyze the reasons for high fuel consumption, and eliminate old vessels with high fuel consumption by comparing the fuel consumption per unit of vessel capacity. Moreover, since 2020, we have strictly complied with the requirement that the marine fuels of vessels in China entering inner river control areas shall not exceed 0.1% m/m and plan to gradually switch to low-sulfur fuel oil in the future.

Water resource management

We understand that clean water is a precious resource, therefore, we take up our social responsibility and minimize the use of water continuously. We regularly inspect the water tanks and faucets to prevent any water leakage or dripping. If any problem is found, we will arrange repairs immediately. We are committed to strengthening and cultivating employees' awareness of water conservation through various actions and activities. For example, we placed signs in the office to remind employees to reduce water consumption in the office.

Employment management

In respect of social responsibilities, we are committed to offering a fair and caring working environment to our employees. We have transparent policies on compensation and dismissal, equal opportunities and anti-discrimination. We have established an employee handbook to standardize the recruitment and employee promotion process, as well as clearly define the process for reporting employees' break and leave entitlements. We sign labor contracts with our employees to protect their rights and interests. We provide equal opportunities to employees and strictly prohibit any form of discrimination. We hire employees based on their merits to offer equal opportunities and fair compensations to our employees. In general, we determine employee salaries based on each employee's qualifications, experience, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of our determinations on salary raises and promotions. We have protected the rights of female employees by realizing equal pay for equal work for men and women and have implemented leave regulations for female employees during their pregnancy and childbirth. We believe the salaries and benefits that our employees receive are competitive with market standards in each geographic location where we conduct business. In addition, we also provide employee benefits such as marriage leave, funeral leave, social insurance and housing provident fund, under the relevant provisions of the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) and Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》). We also provide training programs on industry and regulatory developments to our employees. For example, we have developed a Shore Base Training Plan for employees, which training content mainly covers the use and function of hull equipment, the operation of anti-pollution equipment, life-rescuing appliances and fire equipment, regulatory requirements and the Company's safety management system. Through the training, employees can understand more about the inspection requirements for fire protection, lifesaving, communication, hull and equipment, and the regulations of different flag countries. Also, they become more familiar with the Company's management system and regulations, and can use the Company's software proficiently and understand the newly effective laws and regulations.

As of April 30, 2023, we had 329 employees with details shown as follows:

Employee Classification	**Number of employees**
By Gender	
Male employee	141
Female employee	188
By Age Group	
Employee aged below 30	96
Employee aged 30-50	215
Employee aged above 50	18
By Professional Knowledge	
Under College Level	210
Bachelor's Degree	106
Master's Degree	13
Total	329

Occupational health and employee safety management

We have adopted several safety measures in our operating areas, including: (i) education on occupational safety and health; (ii) provision of safe and healthy workplace with necessary labor protective equipment in accordance with national regulations; and (iii) regular health checks for workers engaged in occupational hazard operations.

Based on our Safety Management Manual, we have safety, health and environmental-protection-related policy. We provide safe practices for ship operation and a safe working environment. We continuously improve safety management skills of personnel both ashore and aboard. We ensure that ship safe operation and anti-pollution measures meet mandatory rules and regulations as well as recommended rules, guidelines and standards by the organization so as to reach objectives of safety at sea and personal health, prevention of human injury or loss of life, and avoidance of damage to the environment, especially to the marine environment, and to property.

We organize relevant departments to identify, assess and control the source of hazards periodically. We have established standard procedures, covering incident management to work injury reporting and investigation. During the Track Record Period and up to the Latest Practicable Date, we had complied with the laws and regulations of PRC in relation to workplace safety in all material aspects and had not noticed any incidents which have materially and adversely affected our operations.

We allocate sufficient resources and efforts to strengthen and enhance safety management to provide a safe and healthy working environment for our employees. In light of the COVID-19 pandemic, we have endeavoured to provide a safe work environment by implementing company-wide self-protection policies for employees, including providing protective masks and sanitizers to our employees. Moreover, we emphasize the safety of our employees and provide protective equipment, such as emergency boxes and fire-fighting equipment, and display escape route maps at the workplace. In the future, we will continue to allocate sufficient resources and efforts to strengthen and enhance safety management to provide a safe and healthy working environment for our employees, and review our safety management performance.

The table below sets forth our health and safety key performance indicators during the Track Record Period:

Health and Safety Key Performance Indicators

	As of December 31,			As of April 30,
	2020	**2021**	**2022**	**2023**
Incidence Rate of Child Labor and Forced Labor	–	–	–	–
Work-related Deaths	–	–	–	–
Occupational Disease Incidence Rate	–	–	–	–
Work-related injuries	–	–	–	–

Supply Chain Management

According to our internal supplier management system, we give priority to suppliers who have fulfilled their environmental and corporate social responsibility in the suppliers' selection. Some of our suppliers have also obtained ISO45001, ISO9001 and ISO14001 certifications in their Occupational Health and Safety Management System, Quality Management System and Environmental Management System, respectively. We also strengthen the audit of suppliers for their environmental protection and safe production management system to actively promote green procurement. We will consider the environmental characteristics of a vessel (whether it has been installed with environmental protection equipment and systems) when purchasing the vessel, such as Alternative Maritime Power (AMP fitted), shaft generator, scrubber fitted and ballast water management system (BWTS), so that we can improve our service quality and protect the environment at the same time.

We have 32 major suppliers, who are suppliers with a transaction value of more than RMB30 million, which generally include shipping carriers, trucking companies, railway companies, warehousing service providers, customs brokers, time charter companies, container suppliers and bunker suppliers. The regional distribution of major suppliers is shown in the table below:

Region	**Number of major suppliers**
Mainland China	11
Germany	5
Singapore	4
Hong Kong	3
Republic of the Marshall Islands	2
Liberia	3
Dubai	1
Ireland	1
Mexico	1
Canada	1

LEGAL PROCEEDINGS AND COMPLIANCE

From time to time, we may be subject to legal proceedings, investigations and claims arising in the ordinary course of our business. As of the Latest Practicable Date, we were not involved in any litigation, arbitration or administrative proceedings pending or, to our knowledge, threatened against us or any of our Directors that could have a material and adverse impact on our business, financial condition or results of operation.

During the Track Record Period and up to the Latest Practicable Date, save as disclosed in "—Employees," we had complied with the applicable laws and regulations in the jurisdictions in which we operate in all material respects.

BUSINESS ACTIVITIES WITH REGIONS SUBJECT TO INTERNATIONAL SANCTIONS

Certain countries or organizations, including the United States, the European Union, the United Kingdom, the United Nation, and Australia, maintain economic sanctions and trade restrictions targeting certain industries or sectors within the countries or territories for which Relevant Jurisdictions maintain various forms of sanctions programs in place.

During the Track Record Period, we (i) engaged in transactions of selling containers and providing transportation services for the said containers to an entity which is based in Russia (excluding Crimea), and (ii) maintained operating entities, subsidiaries and affiliates in Hong Kong ("**Hong Kong Operating Entitie**s"). Regarding (i), our transactions involving Russia (excluding Crimea) were limited to the aforementioned sales and transportation of containers to the said entity based in Russia. We delivered the last batch of containers to the designated location on February 7, 2022, and the payment relative to the last batch of containers was received by us in December 2021, both of which were before the U.S. Treasury department determined that sanctions apply to the marine sector of the Russian Federation economy. We have also entered into a termination agreement with the said Russia-based entity to cease the business relationship. We have not conducted any business dealings or had any operations in LPR, DPR, Crimea, Kherson and Zaporizhzhia regions.

Regarding (ii), the Company has confirmed that during the Track Record Period, these Hong Kong Operating Entities have entered into certain transactions with counterparties in Hong Kong. We were engaged in the provision of cross-border logistics services, procurement and sales of containers, and chartering in and leasing of vessels. The Company has confirmed that none of its counterparties in Hong Kong were identified on the Specially Designated Nationals and Blocked Persons List maintained by OFAC or the relevant restricted parties lists maintained by the European Union, Australia and the United Nations.

As advised by our International Sanctions Legal Advisors who have performed the procedures they consider necessary, our business operations involving the Relevant Regions during the Track Record Period were not sanctionable activities under Guidance Letter HKEX-GL101-19, given that (i) the entity in Russia was not an SDN or owned by an SDN or any Sanctioned Targets, and the Group delivered the last batch of containers on February 7, 2022 and received the last payment in December 2021, both of which were before the U.S. Treasury department determined that sanctions apply to the marine sectors of the Russian Federation economy on May 31, 2022, the Group's transactions involving Russia, as such, did not constitute any Primary or Secondary Sanctionable Activities. Based on our confirmations, except the fact that the Group's transactions involving Russia were denominated in USD, these said transactions do not have any nexus to the United States, the European Union, the United Kingdom or Australia; and (ii) none of our customers, consignors or vessels (chartered-in and owned) located in the Relevant Regions were identified on the Specially Designated Nationals and Blocked Persons List maintained by OFAC. Further, given the scope of the [**REDACTED**] and the expected [**REDACTED**] as set out in this document, our International Sanctions Legal Advisors are of the view that the involvement by parties in the [**REDACTED**] will not implicate any applicable International Sanctions on such parties, including our Company, our potential investors, Shareholders, the Stock Exchange and the [**REDACTED**] and group companies, and accordingly the sanctions risk exposure to our Company, potential investors and Shareholders, and persons who might, directly or indirectly, be involved in permitting the [**REDACTED**], [**REDACTED**] and [**REDACTED**] of our Shares (including the Stock Exchange, the [**REDACTED**] and related group companies) is low.

Having performed the procedures they consider necessary and having relied on our screening of all our customers, consignors and vessels (chartered-in and owned) in the Relevant Regions in strict compliance with the Group's management measures against economic sanctions, our International Sanctions Legal Advisors have not identified apparent violations of the International Sanctions by us after evaluating the sanctions risks of our historical business activities relating to the Relevant Regions during the Track Record Period. Therefore, our International Sanctions Legal Advisors have not recommended reporting of our historical business activities relating to the Relevant Regions during the Track Record Period, including voluntary self-disclosure to OFAC, and such reporting is not necessary as of the date of this document.

Our Directors confirm that we do not have present intention to undertake any business involving directly or indirectly the Comprehensively Sanctioned Countries. We will not knowingly or intentionally conduct any business with any Sanctioned Persons, or any business in any Comprehensively Sanctioned Countries that will cause us to violate International Sanctions, and we will not use the [**REDACTED**] from the [**REDACTED**] to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the Comprehensively Sanctioned Countries or Sanctioned Targets. Our Directors will continuously monitor the use of [**REDACTED**] from the [**REDACTED**], as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, Comprehensively Sanctioned Countries or Sanctioned Persons where this would be in breach of International Sanctions.

Summary

Based on our current understanding and advised by our International Sanctions Legal Advisors, we believe that we are not subject to sanctions risk that could have a material adverse effect on our historical transactions involving Russia (excluding Crimea) or on our Hong Kong Operating Entities' operations in Hong Kong during the Track Record Period. Please also see "Risk Factors—We could be adversely affected as a result of any sales we make to certain countries that are, or become subject to, sanctions administered by the United States, the European Union, the United Nations, the United Kingdom, Australia and other relevant sanctions authorities."

Given the scope of the [**REDACTED**] and the expected [**REDACTED**] as set out in this Document, our International Sanctions Legal Advisors are of the view that the involvement by parties in the [**REDACTED**] will not implicate any applicable International Sanctions on such parties, including our Company and our subsidiaries, the respective directors and employees of our Company and our subsidiaries, our Company's or our subsidiaries' investors, shareholders as well as the Stock Exchange and its related group companies.

Our internal control procedures

We have adopted enhanced internal control and risk management measures which we believe enable us to monitor and evaluate our business to address economic sanction risks. We have fully implemented or intend to implement the following internal control and risk management measures as at the Latest Practicable Date:

- we will set up and maintain a separate bank account upon the [**REDACTED**], which will be designated for the sole purpose of the deposit and deployment of the [**REDACTED**] from the [**REDACTED**] or any other funds raised through the Stock Exchange;

- to further enhance our existing internal risk management functions, our Legal and Compliance Department is responsible for monitoring our exposure to sanctions risks and our implementation of the related internal control procedures. Our Legal and Compliance Department holds a meeting at least every six months to monitor our exposure to sanctions risks and to review our procedures implemented over sanctions screening;

- we evaluate the sanctions risks prior to determining whether we should embark on any business opportunities in Regions subject to International Sanctions or Sanctioned Persons. According to our internal control procedures, our Legal and Compliance Department needs to review and approve all relevant business transaction documentation from customers, consignors or potential customers or potential consignors from Regions subject to International Sanctions or Sanctioned Persons. In particular, we are in the process of setting up a screening process to identify if the potential transaction counterparty of the Group is a person or entity on the various lists of restricted parties and countries maintained by the United States, the European Union, the United Nations, the United Kingdom, the United Kingdom overseas territories or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions which lists are publicly available. The transactions that fail the internal review, regardless of whether it fails upon onboarding or during the course of transaction, will not proceed. At the same time, our Legal and Compliance Department should, semi-annually review the existing customers lists to ensure that the Group does not engage in transactions with countries, regions, entities or individuals on the sanction lists. If any potential sanctions risk or suspicious transaction is identified, we may seek advice from reputable external legal counsel with necessary expertise and experience in International Sanctions matters;

- our Directors will continuously monitor the [**REDACTED**] from the [**REDACTED**], as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, Sanctioned Countries or Sanctioned Persons where this would be in breach of International Sanctions;

- our Legal and Compliance Department will periodically review our internal control policies and procedures with respect to sanctions matters. As and when our Legal Department considers necessary, we will retain external legal counsel with necessary expertise and experience in sanctions matters for recommendations and advice; and

- we will further engage external legal counsel to provide compliance training relating to International Sanctions to our Directors, our senior management and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations, in particular, to perform screening procedures in respect of counterparties to our Group's business to ensure none of them are Sanctioned Persons. Our external legal counsel will provide the latest list of Sanctioned Countries to our Directors, senior management and other relevant personnel, who will in turn disseminate such information internally. Specifically, our in-house counsel, is tasked with monitoring and ensuring compliance with sanctions.

Our International Sanctions Legal Advisors have reviewed and evaluated these internal control measures and are of the view that these measures, if properly and strictly implemented, appear adequate and effective for our Company, based on our business activities and risk assessment, to comply with applicable international sanction laws and our undertakings to the Stock Exchange.

Having taken into account the above advice of our International Sanctions Legal Advisors, our Directors are of the view that our measures provide a reasonably adequate and effective internal control framework to assist us in identifying and monitoring any material risk relating to sanctions laws so as to protect the interests of our Shareholders and us.

INTERNAL CONTROL AND RISK MANAGEMENT

We have various internal guidelines, written policies and procedures to monitor and alleviate the risks arising from our daily operations. Our Directors and senior management are responsible for formulating and overseeing the implementation and effectiveness of our internal control and risk management systems, which are designed to ensure our ongoing compliance with the applicable laws, regulations and rules relevant to our business operations and/or corporate governance, and to prevent any recurrence of any incidents of non-compliance.

In preparation for the [**REDACTED**], we engaged an independent internal control consultant (the "**Internal Control Consultant**") to conduct internal control reviews of our Group in June 2022. During the review process, the Internal Control Consultant identified a number of findings and recommendations, to which we have subsequently taken remedial actions in response. The Internal Control Consultant performed follow-up review between August 2022 and October 2022 and assessed the implementation of the internal control measures. Based on the independent work performed by Internal Control Consultant, the Group has implemented all major internal control measures as recommended. No material deficiency was identified during the follow-up review. We believe that our internal control systems and current procedures are sufficient in terms of comprehensiveness, practicability and effectiveness.

Financial Reporting

We have in place various accounting policies in connection with our financial reporting risk management, such as financial reporting management, internal audit, investment management, and budget management. We also have procedures in place to implement such policies, and our finance department reviews our management accounts based on such procedures. We also provide regular training to our finance department employees to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

We have established an audit committee which comprises all our independent non-executive Directors with written terms of reference in accordance with Appendix 14 of the Listing Rules. The primary duties of the audit committee include, among other things, overseeing our financial reporting, internal control and risk management systems, and ensuring the compliance of our financial reporting with the Listing Rules and relevant legal requirements.

Operational Risk Management

Operational risks arise mainly from inadequate or failed internal controls and systems, human errors, information technology system failures or external events. See "Risk Factors" for further details. We consider operational risks to be inherent in our business and believe that they can be controlled or mitigated through adequate operational policies and procedures.

Our Directors and senior management oversee our overall operations. Our Directors are responsible for managing and controlling operational risks as well as performing periodic investigations into the quality and effectiveness of our internal control systems and procedures and our overall operational risk management. With the view to preventing losses from operational errors and maintaining our reputation, we have adopted the following measures to identify, assess, monitor, control and mitigate operational risks, and to strengthen our operational risk management:

- maintaining a comprehensive corporate governance structure with clearly defined duties of our Board, senior management, operation management committee as well as the various departments;

- maintaining a risk management system to ensure the independence of different departments and committees in performing their risk management duties;

- maintaining and continuously improving our operational procedures and internal control system, and utilizing our IT system to monitor and control the performance of each procedure;

- providing training to our employees in order to enhance their awareness against non-compliance;

- reviewing, assessing and adjusting our internal control procedures and risk management systems on an annual basis in response to the development of our business process as well as regulatory requirements;

- adopting a code of conduct with consistent disciplinary measures for employee misconduct; and

- providing a reporting channel for violations and abnormal conduct or incidents.

In addition, we have established internal control and risk management policies to prevent risks arising from our new business of supply chain solutions. We require our clients to pay us a deposit in an agreed percentage before we sign a sales contract with a foreign supplier. We are also entitled to request an increase in the amount of deposit under certain circumstances. We own the title of imported goods until the total price of such goods, the import agency fee, tax and other relevant fees are paid by clients. We rely on the aforementioned measures to prevent commercial and operational risks. In addition, we require our customers to ensure goods to be imported are in compliance with the relevant legal rules and customs regulations.

International Sanctions Risk Management

Given the nature of the shipping business, we often enter into business relationships with entities from all around the globe, thereby increasing the risks of conducting business with persons and entities that are sanctioned by certain countries and/or regions. We have adopted enhanced internal control and risk management measures which we believe enable us to monitor and evaluate our business to address potential economic sanction risks. See "—Business Activities with Regions Subject to International Sanctions—Our Internal Control Procedures" for details.

As advised by our International Sanctions Legal Advisors who have performed the procedures they consider necessary, reviewed our management measures against economic sanctions, and have received confirmations from our management that we (i) have conducted searches to ensure the counterparties (including customers and suppliers) are not sanctioned persons or entities listed on the registers maintained by the US Treasury's Office of Foreign Assets Control (including but not limited to the list of Specially Designated Nationals and Blocked Persons ("**SDNs**")), the United Nations and other official websites; (ii) have conducted screening of the cargoes transported by the Group to ensure such cargoes do not fall within any categories of sanctioned cargoes; (iii) have conducted inspection on the cargoes and the relevant documents such as bills of lading, certificates of origin, invoices, packing lists, proof of insurance and lists of last ports of call as appropriate to ensure the cargoes do not fall within any categories of sanctioned cargoes and that they are not destined for sanctioned jurisdictions; (iv) have obtained certification from customers/shippers that they have obtained all required authorizations under relevant export control and/or sanctions laws and regulations for transfer of their goods to the destination where our vessels operate; and (v) have not otherwise knowingly conducted transactions with a party that is an SDN or is held 50% by one or more SDNs, and based on our confirmation of the accuracy of the aforementioned (i)-(v), the International Sanctions Legal Advisors are of the view, and the Joint Sponsors concur, that our sanctions risk exposure is low and our internal control measures, if properly and strictly implemented, are adequate and effective for us to comply with the applicable International Sanction laws.

ESG-related Risk Management

We have adopted the following internal control measures on mitigating our ESG-related risks:

- we have established ESG policies that have been approved by the management and circulated to relevant staff for implementation. Our Board and management are primarily in charge of assessing and evaluating our ESG and climate-related risks and opportunities, as well as reviewing existing strategies in order to monitor emission in the day-to-day business operations of our Group, including implementation of necessary measures to mitigate the potential and relevant risks. Our Board also reviews emission-related matters, including the progress of goals relevant to emission reduction and targets setting;

- we have an employee handbook in place, which stipulates the procedure for emission reduction and handling requirements within our work place. New staff has to attend relevant orientation to understand the requirements in our employee handbook;

- we have also adopted the suppliers management policy, which stipulates that priority will be given to suppliers who meet the requirements for environmental protection and corporate social responsibilities. The policy has been approved by the management and circulated to relevant staff for implementation;

- upon [**REDACTED**], we will publish an ESG report on an annual basis pursuant to the reporting requirements under the Listing Rules. This will allow our Board to analyze and disclose important aspects relevant to our emission reduction; and

- our management will also regularly review the updates of local laws and regulations, and report to the Board in a timely manner in case of any revision. Accordingly, notices will also be issued to relevant departments for implementation.

Regulatory Risk Management

Upon [**REDACTED**], we may be exposed to the risks of non-compliance with the Listing Rules. We have appointed Dongxing Securities (Hong Kong) Company Limited as our compliance advisor with effect from the [**REDACTED**] to advise us on ongoing compliance with the Listing Rules and other applicable securities laws and regulations in Hong Kong. Our Directors have attended trainings provided by our legal advisors as to Hong Kong law on the ongoing obligations, duties and responsibilities of being a director of a publicly [**REDACTED**] under the Companies Ordinance and the Listing Rules. We will also seek legal advice from time to time as our management considers appropriate. Our internal policies, manuals and handbooks are reviewed regularly, and if there is any update, the revised version will be disseminated to relevant staff for implementation.

LICENSES AND PERMITS

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

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

Holder	Name of license and permit	Issuing authority	Date of grant/filing	Date of expiry
Shandong Lcang	Certificate of Conformity Quality Management System Certification (質量管理體系認證證書)	Shandong Seatone International Certification Co., Ltd. (an independent registered certification service provider certified by CNAS)	June 15, 2022	June 11, 2025
Shandong Lcang	NVOCC (無船承運人)	Department of Transportation of Shandong Province and Qingdao Port and Navigation Administration Bureau	October 21, 2019	–(1)

Holder	Name of license and permit	Issuing authority	Date of grant/filing	Date of expiry
Shandong Lcang	Filing of International Freight Forwarding Agent (國際貨運代理企業備案)	Qingdao Commerce Bureau	June 7, 2018	–[1]
Shandong Lcang Shanghai Branch	Filing of International Freight Forwarding Agent (國際貨運代理企業備案)	Shanghai Commerce committee	December 28, 2015	–[1]
Shandong Lcang Shanghai Branch	NVOCC (無船承運人)	Municipal Transportation Commission of Shanghai	October 23, 2020	–[1]
Shandong Lcang Ningbo Branch	NVOCC (無船承運人)	Zhejiang Transportation Bureau	October 12, 2020	–[1]
Shanghai Hanyun	Filing of International Freight Forwarding Agent (國際貨運代理企業備案)	Shanghai Commerce committee	July 23, 2019	–[1]
Shanghai Hanyun Qingdao Branch	Filing of International Freight Forwarding Agent (國際貨運代理企業備案)	Qingdao Commerce Bureau	N/A	–[1]
Shanghai Hanyun	NVOCC (無船承運人)	Municipal Transportation Commission of Shanghai	March 31, 2023	–[1]
Ningbo Boya	Filing of International Freight Forwarding Agent (國際貨運代理企業備案)	Ningbo Commerce Bureau	July 25, 2022	–[1]
Ningbo Boya	NVOCC (無船承運人)	Zhejiang Transportation Bureau	May 28, 2021	–[1]
Shenzhen Lcang International Logistics	NVOCC (無船承運人)	Department of Transportation of Guangdong Province	July 29, 2021	–[1]
Shenzhen Lcang International Logistics	Filing of International Freight Forwarding Agent (國際貨運代理企業備案)	Shenzhen Commerce Bureau	September 22, 2021	–[1]
Shenzhen Lcang Cross Border Supply Chain	Filing of International Freight Forwarding Agent (國際貨運代理企業備案)	Shenzhen Commerce Bureau	N/A	–[1]

Holder	Name of license and permit	Issuing authority	Date of grant/filing	Date of expiry
Qingdao Boya	Filing of International Freight Forwarding Agent (國際貨運代理企業備案)	Qingdao Commerce Bureau	April 10, 2018	–[(1)]
Qingdao Boya	NVOCC (無船承運人)	Department of Transportation of Shandong Province	February 8, 2023	–[(1)]
Shanghai Leyi	Road Transport Operation License (道路運輸經營許可證)	Shanghai Jiading District Transportation Bureau	December 31, 2021	December 30, 2025
Zhangjiagang Lechang	Electronic Data Interchange License (增值電信業務經營許可證)	Telecommunications Administration of Jiangsu Province	July 26, 2022	May 19, 2026
Zhangjiagang Lechang	Road Transport Operation License (道路運輸經營許可證)	Zhangjiagang Transportation Bureau	December 15, 2022	December 31, 2023
Shanghai Sijin	Registration Certificate of Customs Declaration (報關單位註冊登記證書)	Shanghai Railway Station Customs	July 10, 2020	Long-term
Shanghai Sijin	NVOCC (無船承運人)	Municipal Transportation Commission of Shanghai	July 16, 2019	–[(1)]
Shanghai Sijin	Filing of International Freight Forwarding Agent (國際貨運代理企業備案)	Shanghai Commerce Bureau	June 29, 2018	–[(1)]
BAL Container Line	Registration Certificate for International Liner Shipping Operation Qualification (國際班輪運輸經營資格登記證)	Ministry of Transportation	May 18, 2018	–[(1)]
Xiamen Lcang	Filing of International Freight Forwarding Agent (國際貨運代理企業備案)	Xiamen Commerce Bureau	N/A	–[(1)]
Xiamen Lcang	NVOCC (無船承運人)	Fujian Transportation Bureau	October 20, 2022	–
Shenzhen Lcang Cross Border Supply Chain Qingdao Branch	Filing for Selling Pre-packed Food (Including Cold Stored and Frozen Food)	Administration Approval Service Bureau of Qingdao Shinan District	November 18, 2022	–

Holder	Name of license and permit	Issuing authority	Date of grant/filing	Date of expiry
Shenzhen Lcang Cross Border Supply Chain	NVOCC (無船承運人)	Department of Transportation of Guangdong Province	October 28, 2022	–
Shangdong Lcang	Filing of Export-import Shipper/Receiver	Qingdao Customs	January 31, 2023	–

Note:

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

AWARDS AND RECOGNITIONS

The table below sets forth our major awards and recognitions during the Track Record Period:

Year of award	Award	Granted by
2019	The Best Innovation NEEQ Company Award (新三板最佳公司創新獎)	Committee of China NEEQ Annual Billboard (中國新三板年度風雲榜組委會)
2019	Panelist Certificate (委員證書)	China Containerized Freight Index Compiling Panel (中國出口集裝箱運價指數編製委員會)