You should read the following discussion and analysis in conjunction with our consolidated financial statements included in the Accountants' Report in Appendix I to this document, together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRS.

The following discussion and analysis contains forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this document, including the sections headed "Risk Factors" and "Business."

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. We focus on cross-border logistics services as our primary business line, and develop time charter services to support our cross-border logistics services. We have accumulated vessel operation–related resources and capabilities through time charter operation to further strengthen our capability to provide cross-border logistics services.

From 2020 to 2022, our business operations grew significantly. Our revenue increased from RMB781.5 million in 2020 to RMB4,195.4 million in 2021, and further increased to RMB4,607.9 million in 2022, primarily attributable to the commencement and further development of our self-operated cross-border logistics services. Our gross profit increased from RMB63.8 million in 2020 to RMB456.8 million in 2021, and further increased to RMB545.3 million in 2022. In 2023, due to market conditions, we adapted our service offering strategy and adjusted our business focus accordingly, under which we paused to provide self-operated cross-border logistics services. Accordingly, our revenue and gross profit decreased from RMB2,011.1 million and RMB259.0 million, respectively, in the four months ended April 30, 2022 to RMB453.8 million and RMB113.7 million, respectively, in the same period in 2023; while our gross profit margin increased from 12.9% to 25.1% between the two periods mainly because of the increased proportion of revenue generated from time charter services, which had higher gross profit margins.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial performance are affected by general factors driving global import and export trade, cross-border e-commerce industry and cross-border logistics service market, including the prosperity of globalization, economic relations between China and other countries and general economic conditions in China. Moreover, our results of operations are directly affected by the following factors.

Market Demand for Our Cross-Border Logistics Services

From 2020 to 2022, almost all of our revenue was generated from cross-border logistics services, representing approximately 95.1%, 97.4% and 95.3% of our total revenue in 2020, 2021 and 2022, respectively. In 2023, due to market conditions, we adjusted our business focus accordingly. The percentage of revenue generated from cross-border logistics services decreased from 98.0% in the four months ended April 30, 2022 to 75.8% in the four months ended April 30, 2023. Our business is affected by the volatility in the demand for cross-border logistics services. Changes in global economic activities, in particular those in Greater China, could have a significant impact on the demand for our cross-border logistics services. In addition, political and trade disputes, including any adverse political or regulatory conditions due to events beyond our control, could adversely affect the international or regional trade volume and, in turn, could have a material adverse effect on our business, financial condition and results of operations.

In recent years, more Chinese brands are seeking international growth and are concerned about logistics efficiency and cost. Our integrated cross-border logistics services would effectively shorten lead time by offering on-demand delivery services and value-added services such as sophisticated operation, management and planning to meet our customers' requirements. In addition, the COVID-19 pandemic has extensively transformed consumers' shopping behaviors from offline to online, which created opportunities for us to constantly optimize logistics services to meet our customers' ever-changing demand.

Demand for our cross-border logistics services has historically been affected by seasonality. According to Frost & Sullivan, customer demand for shipment 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 prepare for the Christmas and New Year holidays. The traditional peak season for the China-Asia shipping routes is the fourth quarter and before Chinese New Year. As a result of such fluctuations, comparisons of results of operations between different periods within a single financial year or between different periods in different financial years cannot be relied on as indicators of our performance.

Operation and Development of Self-Operated Cross-Border Seaborne Transportation Service

Our cross-border logistics services include cross-border seaborne transportation service either operated by us or provided by third parties. Our ability to achieve profitability is dependent, in part, on our ability to operate and develop our flexible and cost-efficient self-operated cross-border seaborne transportation service. See "Business—Cross-border Logistics Services."

Our business grew significantly from 2020 to 2022. Particularly, our revenue increased from RMB781.5 million in 2020 to RMB4,195.4 million in 2021, and further increased to RMB4,607.9 million in 2022. In 2021, we commenced to provide self-operated cross-border seaborne transportation service, which enabled us to provide stable services and adjust our capacity planning flexibly according to changes in market conditions. In 2021 and 2022, our revenue from self-operated cross-border seaborne transportation service was RMB1,939.0 million and RMB2,603.1 million, respectively.

Under our cross-border logistics services, the gross profit margin of self-operated cross-border seaborne transportation was 19.1% in 2021 and 14.1% in 2022, which was higher than that of third party-provided seaborne transportation. Under our self-operated cross-border seaborne transportation services, we were able to better utilize our own shipping capacity in shipping arrangement and improve our gross profit margin. In addition, we could save the freight fees we would have to pay to the third-party shipping companies and control the overall cost more effectively.

However, as market freight rates decreased significantly since the second half of 2022, we have paused the offering of self-operated cross-border logistics services. Our last shipment through self-operated cross-border logistics services arrived at its destination in Mexico in December 2022. For the four months ended April 30, 2023 and up to the Latest Practicable Date, we did not provide any self-operated cross-border logistics services. We will resume offering such services as and when market conditions are favorable.

Our Ability to Continuously Provide Efficient Integrated Cross-Border Logistics Services

Our ability to provide efficient integrated cross-border logistics services depends on our success in many aspects of our services, primarily including the following factors:

- ***Investing in mission-critical logistics assets***. As of April 30, 2023, we had a fleet of four self-owned vessels and one chartered-in vessels with a total capacity of 5,727 TEUs. To further develop our capability and enhance the efficiency to provide integrated cross-border logistics services, we plan to invest in mission-critical logistics facilities such as warehouses, container yards and trucks in China, the United States and Mexico.

- ***Deepening our relationship with third-party service providers***. To meet our customers' evolving needs, we cooperate with different third-party service providers to provide customized logistics solutions with desired combination of services. The third-party service providers mainly include shipping carriers, trucking companies, warehousing companies and customs brokers. We have established long-standing relationships with industry-renowned shipping carriers. Our partnership with these shipping carriers allows us to secure sufficient shipping capacity at favorable market prices. We also cooperate with various overseas third-party companies to provide customs clearance, local warehousing, ground transportation and other value-added services after arrival. We typically have stable and long-term relationships with these service providers.

- ***Optimizing layout of shipping routes***. We flexibly adjust our selection of shipping routes for cross-border seaborne transportation operated by us and provided by third parties based on market demand. For details of cross-border seaborne transportation service operated by us, see "—Operation and development of self-operated cross-border seaborne transportation service." Our service portfolio covers key regions of cross-border logistics, including "deep-sea" countries in North America, Latin America, Europe, Australia and "short-sea" countries in Asia. We promptly respond to market demand and choose shipping routes that we believe are more profitable.

Our Ability to Manage Cost and Improve Profitability

Our ability to improve profitability is dependent, in part, on our ability to manage cost. During the Track Record Period, our cost of sales primarily consisted of (i) freight fees paid to third parties; (ii) vessel chartering costs for our self-operated cross-border seaborne transportation service; (iii) port charges; (iv) container costs; and (v) bunker costs, which together accounted for 89.4%, 94.0%, 93.0%, 93.1% and 81.5% of our cost of sales in 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, respectively. In particular, bunker costs are incurred to provide cross-border seaborne transportation operated by us, which are affected by the amount of consumed bunkers and the prevailing bunkers rates. Since we commenced self-operated cross-border seaborne transportation in 2021, we incurred bunker costs of RMB162.4 million and RMB392.8 million for the years ended December 31, 2021 and 2022, respectively, representing approximately 4.3% and 9.7% of our cost of sales for the corresponding periods, respectively. The increase in our bunker costs from 2021 to 2022 was attributable to an increase in global fuel prices in 2022, which contributed to the decrease in the gross profit margin of our self-operated cross-border seaborne transportation from 19.1% in 2021 to 14.1% in 2022. For the four months ended April 30, 2023, we did not provide any self-operated cross-border seaborne transportation services due to market conditions and did not incur any bunker costs. See "Risk Factors—Changing fuel costs and interruptions of fuel supplies may reduce our profitability" for details.

In order to effectively manage our costs for our cross-border logistics and time charter services, we adhere to our operational strategy to maintain flexibility to avoid capacity redundancy by opting for an optimal vessel chartering period, especially when the freight rate decreases. Further, we commenced our self-operated cross-border seaborne transportation services in 2021 which allow us to achieve flexibility in cost management. In terms of route and resource planning, we compare and review the velocity, voyage time and bunker fuel price of our vessels. We compare prices of fuel among available options and select a suitable port for vessel bunkering. We also improve the efficiency of our port operations to reduce berthing time of our vessels at ports. We may from time to time review our operational efficiency and cost management strategy so as to improve our profitability.

Our Ability to Identify and Consummate Strategic Partnerships and Acquisitions

We have established, and intend to continue to pursue, strategic partnerships to enhance our geographical coverage and service capabilities. We aim to achieve cost-efficient delivery throughout the entire logistics process to deliver consignments to destinations. We cooperate with overseas warehouses 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 overseas warehouses.

Our ability to identify and consummate acquisitions may enable us to expand our business and increase profitability. Going forward, we may continue to selectively acquire companies in our service network that we believe are strategic and complementary to our capabilities, such as logistics companies, to achieve strong synergies with our business operation.

BASIS OF PRESENTATION

Our historical financial information has been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the International Accounting Standards Board (the "**IASB**"). All IFRSs effective for the accounting period commencing from January 1, 2022, together with the relevant transitional provisions, have been early adopted by our Group in the preparation of the historical financial information throughout the Track Record Period.

Pursuant to the Reorganization as set forth in "History, Reorganization and Corporate Structure—Reorganization" in this document, our Company became the holding company of the companies now comprising our Group on 19 October 2022. As the Reorganization mainly involved inserting new holding companies and had not resulted in any change of economic substance, the historical financial information during the Track Record Period had been presented as a continuation of the existing companies as if the Reorganization had been completed at the beginning of the Track Record Period.

The consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of our Group during the Track Record Period included the results and cash flows of all companies now comprising our Group as if the current group structure had been in existence throughout the Track Record Period. The consolidated statements of financial position of our Group as of December 31, 2020, 2021 and 2022 and April 30, 2023 included the consolidated assets and liabilities of all companies now comprising the Group as if the current group structure had been in existence as of the respective dates. No adjustments are made to reflect fair values or recognize any new assets or liabilities as a result of the Reorganization.

For more information on the basis of presentation and preparation of the historical financial information, see Note 2 to the Accountants' Report in Appendix I to this document.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The Accountants' Report in Appendix I to this document sets forth certain significant accounting policies in Note 2.4, which are important for understanding our financial condition and results of operations. In the application of our accounting policies, our management is required to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Our estimates and judgments are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from estimates. Our estimates and judgments, which are reviewed by our management on an ongoing basis, are set forth in detail in Note 3 to the Accountants' Report in Appendix I to this document.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth a summary of our consolidated statements of profit or loss, with line items, both in absolute amounts and as percentages of our revenue, for the periods indicated:

	Year ended December 31,						Four months ended April 30,			
	2020		2021		2022		2022		2023	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(RMB in thousands, except percentages)									
							(Unaudited)			
Revenue	781,524	100.0	4,195,393	100.0	4,607,929	100.0	2,011,085	100.0	453,795	100.0
Cost of sales	(717,738)	(91.8)	(3,738,556)	(89.1)	(4,062,629)	(88.2)	(1,752,118)	(87.1)	(340,058)	(74.9)
Gross profit	63,786	8.2	456,837	10.9	545,300	11.8	258,967	12.9	113,737	25.1
Other income and gains, net	9,819	1.3	23,731	0.7	9,507	0.2	2,994	0.1	3,345	0.7
Selling and distribution expenses	(9,839)	(1.3)	(14,686)	(0.4)	(18,608)	(0.4)	(5,905)	(0.3)	(5,812)	(1.3)
Administrative expenses	(28,914)	(3.7)	(49,816)	(1.2)	(87,141)	(1.9)	(17,218)	(0.9)	(19,827)	(4.4)
Other expenses	(84)	(0.0)[1]	(4,154)	(0.1)	(3,396)	(0.1)	(2,783)	(0.1)	(762)	(0.2)
Finance costs	(3,809)	(0.5)	(8,033)	(0.2)	(4,827)	(0.1)	(1,947)	(0.1)	(2,165)	(0.5)
Impairment losses on assets held for sale	–	–	–	–	(36,450)	(0.8)	–	–	–	–
Impairment losses on financial assets	(1,135)	(0.1)	(2,116)	(0.1)	(8,843)	(0.2)	(147)	0.0[1]	(5,560)	(1.2)
Share of profits and losses of associates	281	0.0[1]	5,960	0.1	(159)	(0.0)[1]	(53)	(0.0)[1]	(11)	(0.0)[1]
Profit before tax	30,105	3.9	407,723	9.7	395,383	8.6	233,908	11.6	82,945	18.2
Income tax (expense)/credit	(2,565)	(0.4)	(15,685)	(0.4)	(9,076)	(0.2)	(5,591)	(0.2)	1,045	0.3
Profit for the year/period	27,540	3.5	392,038	9.3	386,307	8.4	228,317	11.4	83,990	18.5
Attributable to:										
Owners of the parent	25,521	3.2	384,085	9.1	380,944	8.3	223,597	11.2	83,012	18.3
Non-controlling interests	2,019	0.3	7,953	0.2	5,363	0.1	4,720	0.2	978	0.2
	27,540	3.5	392,038	9.3	386,307	8.4	228,317	11.4	83,990	18.5

Note:

(1) Less than 0.05%.

NON-IFRS MEASURES

We define adjusted net profit (non-IFRS measure) as profit for the corresponding period adjusted by adding back [**REDACTED**]. We exclude such item primarily because [**REDACTED**] is related to the [**REDACTED**] of our Company. We define adjusted EBITDA (non-IFRS measure) as profit for year/period adjusted by deducting interest income, and adding back (i) [**REDACTED**], which relates to the [**REDACTED**] of our Company; (ii) finance costs; (iii) income tax expense/credit, and (iv) depreciation and amortization, which are non-cash in nature. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, as a substitute for analysis of, or superior to, our results of operations or financial conditions as reported under IFRS. In addition, these non-IFRS financial measures may be defined differently from similar terms used by other companies, and may not be comparable to other similarly titled measures used by other companies.

	Year ended December 31,			Four months ended April 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	(RMB in thousands)				
				(Unaudited)	
Profit for the year/period	27,540	392,038	386,307	228,317	83,990
Add:					
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted net profit (non-IFRS measure)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Less:					
Interest income	889	177	2,081	1,434	90
Add:					
Depreciation of property, plant and equipment	6,056	26,986	34,566	8,214	12,465
Depreciation of right-of-use assets	2,044	2,564	4,434	1,246	1,714
Amortization of intangible assets	913	642	375	147	130
Finance costs	3,809	8,033	4,827	1,947	2,165
Income tax expense/credit	2,565	15,685	9,076	5,591	(1,045)
Adjusted EBITDA (non-IFRS measure)	42,038	455,771	459,974	244,028	103,131

DESCRIPTION OF SELECTED ITEMS FROM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

Revenue by business line

During the Track Record Period, we primarily generated revenue from cross-border logistics services and, to a lesser extent, time charter services. The table below sets forth a breakdown of our revenue by business line for the periods indicated:

	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 percentages)									
							(Unaudited)			
Cross-border logistics services										
– cross-border seaborne transportation operated by us										
Self-owned vessels	–	–	140,014	3.3	324,824	7.0	182,528	9.1	940	0.2
Chartered-in vessels	–	–	1,798,962	42.9	2,278,226	49.5	1,037,597	51.6	23,264	5.1
	–	–	1,938,976	46.2	2,603,050	56.5	1,220,125	60.7	24,204	5.3
– cross-border seaborne transportation provided by third parties	743,475	95.1	2,149,101	51.2	1,786,125	38.8	750,607	37.3	319,991	70.5
Cross-border logistics services – subtotal	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										
– Self-owned vessels	35,450	4.5	63,964	1.5	183,413	4.0	26,846	1.3	94,868	20.9
– Chartered-in vessels	–	–	43,352	1.1	35,341	0.7	13,507	0.7	12,310	2.7
Time charter services – subtotal	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 our cross-border logistics and related services, we disposed of a 36% interest in the entity in December 2021 and hold a 15% interest after the disposal. 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 generate revenue by providing logistics services to our customers throughout the entire logistics process to deliver their consignments to destinations, which primarily include logistics solutions consultancy, shipping arrangement, ground transportation, warehousing before departure, customs clearance before departure, cross-border seaborne transportation, customs clearance after arrival, warehousing and other value-added services after arrival and last-mile delivery. We charge the logistics services as a package based on customers' desired combination of services with reference to market prices. Revenue generated from cross-border logistics services accounted for 95.1%, 97.4%, 95.3%, 98.0% and 75.8% of our total revenue in 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, respectively. Revenue from cross-border logistics services is primarily driven by the following factors:

– *Service volume.* Our service volume depends significantly on (i) the availability of our resources, including our own resources such as manpower, self-owned vessels and containers and those provided by our suppliers; and (ii) the market demand.

– *Average price per TEU.* The price per TEU is market driven. We adopt a market-based pricing model for our cross-border logistics services, taking into account factors such as (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.

Generally, the price per TEU goes up when there is a significant shipping demand in the market. For instance, in 2020, due to the outbreak of COVID-19, shipping capacity, operations and labor supply was severely affected, market demands for cross-border logistics services increased sharply and had led to an increase in the average price of TEU.

Our cross-border seaborne transportation, the key step of cross-border logistics, is either operated by ourselves or provided by third parties. Such arrangement allows flexibility in our operations. During the Track Record Period, we generated revenue from cross-border seaborne transportation provided by third parties by cooperating with third-party shipping carriers, which covered services in a broad range of destinations. In 2021, we commenced self-operated cross-border seaborne transportation utilizing both chartered-in vessels and self-owned vessels, which allows us greater flexibility in resource planning and cost management. We paused this offering during the four months ended April 30, 2023 and up to the Latest Practicable Date in light of market conditions. Cross-border seaborne transportation provided by third parties accounted for 100.0%, 52.6%, 40.7%, 38.1% and 93.0% of our revenue from cross-border logistics services in 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, respectively; while self-operated cross-border seaborne transportation accounted for nil, 47.4%, 59.3%, 61.9% and 7.0% of our revenue from cross-border logistics services in 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, respectively.

The following table sets forth a breakdown of our revenue in 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	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB in thousands, except percentages)						*(Unaudited)*			
Cross-border seaborne transportation operated by us										
China-Americas	–	–	1,665,761	40.7	2,042,557	46.5	900,273	45.7	24,204	7.0
China-Europe	–	–	174,596	4.3	–	–	–	–	–	–
China-Australia	–	–	94,327	2.3	205,385	4.7	184,687	9.4	–	–
China-Asia	–	–	4,292	0.1	355,108	8.1	135,165	6.8	–	–
	–	–	1,938,976	47.4	2,603,050	59.3	1,220,125	61.9	24,204	7.0
Cross-border seaborne transportation provided by third parties	743,475	100.0	2,149,101	52.6	1,786,125	40.7	750,607	38.1	319,991	93.0
Total	743,475	100.0	4,088,077	100.0	4,389,175	100.0	1,970,732	100.0	344,195	100.0

Our revenue from different routes is mainly driven by service volume as well as the price per TEU, which was, in turn, dictated by market demand as we generally follow a market-based pricing model. Our revenue from different routes is also affected by our route planning and resource planning. In terms of self-operated shipping routes, during the Track Record Period, we primarily operated the China-Americas routes, accounting for 85.9% and 78.5% of our total revenue from self-operated cross-border seaborne transportation in 2021 and 2022, respectively. During the four months ended April 30, 2023, we did not provide any self-operated cross-border logistics services due to market conditions.

Our revenue generated from self-operated cross-border logistic services increased from 2021 to 2022, which was the combined effect of the following:

- *China-Americas routes.* Our revenue from self-operated China-Americas routes increased by 22.6% from RMB1,665.8 million in 2021 to RMB2,042.6 million in 2022. The increase was primarily due to (i) an increase in service volume by 5.7% from 58,751 TEUs in 2021 to 62,082 TEUs in 2022, and (ii) an increase in the average price per TEU by 15.8% from RMB28,400 in 2021 to RMB32,900 in 2022, driven by increased demand of Asia-Americas seaborne transportation.

- *China-Europe routes.* Our revenue from self-operated China-Europe routes was RMB174.6 million and nil in 2021 and 2022, respectively. In 2022, we did not operate any China-Europe routes as we focused our resources on other destinations considering the slow turnaround of containers and other resources due to the longer sailing schedules of the China-Europe routes. The service volume was 6,120 TEUs in 2021 and the average price was RMB28,500 in the same year.

- *China-Australia routes.* Our revenue from self-operated China-Australia routes increased significantly by 117.8% from RMB94.3 million in 2021 to RMB205.4 million in 2022. The increase was primarily due to an increase in service volume by 132.8% from 2,904 TEUs in 2021 to 6,761 TEUs in 2022. The average price per TEU decreased slightly from RMB32,500 in 2021 to RMB30,400 in 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.

- *China-Asia routes.* Our revenue from self-operated China-Asia routes increased significantly from RMB4.3 million in 2021 to RMB355.1 million in 2022. The increase was primarily due to (i) a significant increase in service volume from 469 TEUs in 2021 to 31,207 TEUs in 2022, and (ii) an increase in the average price per TEU by 23.9% from RMB9,200 in 2021 to RMB11,400 in 2022, driven by increased demand of intra-Asia seaborne transportation.

Our revenue generated from self-operated cross-border logistic services decreased significantly in the four months ended April 30, 2023 as compared to the same period in 2022, as we did not provide any self-operated cross-border logistics services due to market conditions. The revenue generated from self-operated cross-border seaborne transportation services in the four months ended April 30, 2023 represented demurrage and detention charges to our customers when our containers were not picked up and/or held over-time by our customers beyond the rental-free periods. Revenue of demurrage and detention we charged in the four months ended April 30, 2023 was related to our self-operated shipping routes to Mexico and Canada, where the corresponding shipments had been completed prior to December 31, 2022. The amount of such demurrage and detention charges were subject to negotiations between us and our customers before December 31, 2022, and were subsequently agreed during the four months ended April 30, 2023. We then billed our customers separately based on the agreement and recognized revenue on the basis that uncertainties associated with such demurrage and detention charges were subsequently resolved, so that the receipt of demurrage and detention charges are highly probable and a significant reversal of these charges will not occur.

Time charter services

For our time charter services, we generate revenue from charter fees as we charter out our self-owned vessels and chartered-in vessels for a period ranging from one month to two years. Revenue generated from time charter services accounted for 4.5%, 2.6%, 4.7%, 2.0% and 23.6% of our total revenue in 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, respectively. Revenue generated from time charter services is primarily affected by the number of vessels we chartered out, the charter periods and the charter rates.

Cost of sales

The table below sets forth a breakdown of our cost of sales by business line, both in absolute amounts and as percentages of our cost of sales, for the periods indicated:

	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 percentages)									
							(Unaudited)			
Cross-border logistics services										
– Cross-border seaborne transportation operated by us										
Vessel chartering costs	–	–	736,112	19.7	1,029,513	25.3	429,472	24.5	–	–
Port charges	–	–	248,413	6.6	391,546	9.6	177,464	10.1	–	–
Container costs	–	–	351,396	9.4	266,614	6.6	173,510	9.9	4,016	1.2
Bunker costs	–	–	162,443	4.3	392,835	9.7	137,612	7.9	–	–
Cargo transportation costs	–	–	10,491	0.3	83,089	2.0	49,653	2.8	–	–
Depreciation and amortization	–	–	16,690	0.5	24,370	0.6	5,120	0.3	5,921	1.7
Others	–	–	42,412	1.1	48,726	1.2	25,422	1.4	1,547	0.5
	–	–	1,567,957	41.9	2,236,693	55.0	998,253	56.9	11,484	3.4
– Cross-border seaborne transportation provided by third parties										
Freight fees	563,547	78.5	1,876,411	50.2	1,590,794	39.2	668,336	38.2	239,930	70.5
Port charges	71,843	10.0	126,818	3.4	97,628	2.4	41,846	2.4	28,581	8.4
Container costs	6,124	0.9	13,812	0.4	7,542	0.2	3,837	0.2	4,530	1.3
Cargo transportation costs	32,940	4.6	52,315	1.4	23,298	0.6	9,936	0.6	11,420	3.4
Depreciation and amortization	1,987	0.2	5,309	0.1	2,444	0.1	390	0.0[1]	1,974	0.6
Others	15,647	2.2	17,348	0.5	19,599	0.4	9,767	0.6	10,392	3.1
	692,088	96.4	2,092,013	56.0	1,741,305	42.9	734,112	42.0	296,827	87.3
Cross-border logistics services - subtotal	692,088	96.4	3,659,970	97.9	3,977,998	97.9	1,732,365	98.9	308,311	90.7
Time charter services	23,592	3.3	78,586	2.1	84,631	2.1	19,753	1.1	29,340	8.6
Others	2,058	0.3	–	–	–	–	–	–	2,407	0.7
Total	717,738	100.0	3,738,556	100.0	4,062,629	100.0	1,752,118	100.0	340,058	100.0

We incurred cost of sales primarily in providing cross-border logistics services, which mainly consists of:

(i) freight fees, which primarily represent charges for cargo space during cross-border seaborne transportation provided by third-party shipping carriers charged by them;

(ii) vessel chartering costs, which primarily represent fees for chartering in vessels to provide cross-border seaborne transportation operated by us, and are mainly affected by the number of vessels chartered in, the charter periods, and the charter rates;

(iii) port charges, which primarily represent service fees for container stevedoring services and berthing fees paid to terminal operators when our vessels call at a port;

(iv) container costs, which represent container leasing costs, container storage fees and other container-related costs, and are mainly affected by the number of containers leased, container type and the lease price of containers; and

(v) bunker costs, which are incurred to provide cross-border seaborne transportation operated by us, and are affected by the amount of consumed bunkers and the prevailing bunkers rates.

During the four months ended April 30, 2023, cost of sales of self-operated cross-border seaborne transportation services primarily included container fees in relation to the storage of containers and depreciation and amortization of our containers during the same period. We did not provide any self-operated cross-border logistics services during the same period due to market conditions.

Our cost of sales incurred in providing time charter services primarily consists of repair and maintenance cost, crew cost, depreciation of self-owned vessels, and vessel chartering and overhaul costs for vessels that we chartered in and used in time charter services.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales. Our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage. The table below sets forth a breakdown of our gross profit and gross profit margin by business line for the periods indicated:

	Year ended December 31,						Four months ended April 30,			
	2020		2021		2022		2022		2023	
	Gross Profit	*Gross Profit Margin*	*Gross Profit*	*Gross Profit Margin*	*Gross Profit*	*Gross Profit Margin*	*Gross Profit*	*Gross Profit Margin*	*Gross Profit*	*Gross Profit Margin*
	(RMB in thousands, except percentages)									
							(Unaudited)			
Cross-border logistics services										
– cross-border seaborne transportation operated by us										
Self-owned vessels	–	–	50,152	35.8%	140,317	43.2%	95,512	52.3%	N/A[(1)]	N/A[(1)]
Chartered-in vessels	–	–	320,867	17.8%	226,040	9.9%	126,360	12.2%	N/A[(1)]	N/A[(1)]
	–	–	371,019	19.1%	366,357	14.1%	221,872	18.2%	12,720	52.6%
– cross-border seaborne transportation provided by third parties	51,387	6.9%	57,088	2.7%	44,820	2.5%	16,495	2.2%	23,164	7.2%
Cross-border logistics services-subtotal/overall	51,387	6.9%	428,107	10.5%	411,177	9.4%	238,367	12.1%	35,884	10.4%
Time charter services										
– Self-owned vessels	11,858	33.4%	15,234	23.8%	138,689	75.6%	18,781	70.0%	77,662	81.9%
– Chartered-in vessels	–	–	13,496	31.1%	(4,566)	(12.9%)	1,819	13.5%	177	1.4%
Time charter services-subtotal/overall	11,858	33.4%	28,730	26.8%	134,123	61.3%	20,600	51.0%	77,839	72.6%
Others	541	20.8%	–	–	–	–	–	–	14	0.6%
Total/Overall	63,786	8.2%	456,837	10.9%	545,300	11.8%	258,967	12.9%	113,737	25.1%

Note:

(1) We did not provide any self-operated cross-border logistics services in the four months ended April 30, 2023 and recorded certain miscellaneous revenue from demurrage and detention. The corresponding cost of sales primarily included container fees in relation to the storage of containers and depreciation and amortization of our containers during the same period. Accordingly, the related costs could not be allocated to each type of vessels and gross profit and gross profit margin by type of vessels are not presented.

Cross-border logistics services

The gross profit margin of our cross-border logistics services is primarily affected by the price per TEU, revenue contribution from cross-border seaborne transportation operated by us and provided by third parties, cost structure of our operations and fluctuations in major cost components including vessel chartering costs for our self-operated transportation, freight fees charged by third-party shipping carriers, port charges, bunker costs and container costs. The gross profit margin of the self-operated cross-border seaborne transportation is generally higher than that of the cross-border seaborne transportation provided by third parties as (i) we allocated more internal resources into self-operated cross-border seaborne transportation; and (ii) we save more freight fees paid to third-party shipping carriers than additional costs incurred in providing self-operated cross-border seaborne transportation services. For our self-operated cross-border seaborne transportation, the gross profit of our self-operated services utilizing self-owned vessels was generally higher than that utilizing chartered-in vessels, which was mainly due to the savings in vessel chartering costs when utilizing our self-owned vessels.

The gross profit margin of our cross-border logistics services increased from 6.9% in 2020 to 10.5% in 2021, which was due to the combined effect of:

- *Cross-border seaborne transportation operated by us.* We commenced our self-operated cross-border seaborne transportation in 2021, which contributed 47.4% of revenue from cross-border logistics services and attained a gross profit margin of 19.1%; and

- *Cross-border seaborne transportation provided by third parties.* The gross profit margin of our cross-border seaborne transportation provided by third parties decreased from 6.9% in 2020 to 2.7% in 2021. Such decrease was primarily due to the significant increase in freight fees as a result of the increase in market freight rates. We also allocated more of our resources to develop our self-operated cross-border seaborne transportation.

  The increase in market freight rates affected our revenue in terms of the average price per TEU we charged our customers, as well as our cost of sales in terms of the freight fees we incurred in our cross-border seaborne transportation provided by third parties. Fluctuations in market freight rates generally had a greater impact on our cost of sales than our revenue, as (i) we were not able to adjust our prices timely taking into account the increase in freight fees in response to the market fluctuations; and (ii) apart from cross-border seaborne transportation, we also provided other logistics services such as ground transportation and other value-added services to our customers, the revenue from which was generally not directly related and less sensitive to fluctuations in market freight rates. At the same time, our cost of sales were more sensitive to the increase in market freight rates as freight fees constituted a substantial portion of cost of sales under our cross-border seaborne transportation provided by third parties. Such freight fee cost as a percentage of our revenue from cross-border seaborne transportation provided by third parties increased from 75.8% in 2020 to 87.3% in 2021. Accordingly, the overall impact of the increase in market freight rates resulted in a decrease in our gross profit margin of our cross-border seaborne transportation provided by third parties in 2021.

The gross profit margin of our cross-border logistics services decreased from 10.5% in 2021 to 9.4% in 2022, which was due to the combined effect of:

- *Cross-border seaborne transportation operated by us.* The gross profit margin of our self-operated cross-border seaborne transportation decreased from 19.1% in 2021 to 14.1% in 2022. Such decrease was primarily due to (i) an increase in vessel chartering costs for our self-operated services utilizing chartered-in vessels which was in line with prevailing market rates driven by the increased market demands; (ii) an increase in bunker costs as a result of an increase in global fuel prices in 2022, partially offset by savings in container costs as we purchased containers in 2021 and 2022 to support our services, thereby decreasing the need to lease containers.

  In terms of the types of vessels utilized, the gross profit margin of our self-operated cross-border seaborne transportation utilizing self-owned vessels increased from 35.8% in 2021 to 43.2% in 2022. Such increase was primarily due to our savings in container costs as we purchased containers in 2021 and 2022 to support our services, thereby decreasing the need to lease containers. The gross profit margin of our self-operated cross-border seaborne transportation utilizing chartered-in vessels decreased from 17.8% in 2021 to 9.9% in 2022. Such decrease was primarily due to the increases in vessel chartering costs and bunker costs, which outpaced the savings in container costs.

- *Cross-border seaborne transportation provided by third parties.* The gross profit margin of cross-border seaborne transportation provided by third parties remained relatively stable at 2.7% and 2.5% in 2021 and 2022, respectively.

The gross profit margin of our cross-border logistics services decreased from 12.1% in the four months ended April 30, 2022 to 10.4% in the four months ended April 30, 2023, which was due to the combined effect of:

- *Cross-border seaborne transportation operated by us.* The gross profit margin of our self-operated cross-border seaborne transportation increased from 18.2% in the four months ended April 30, 2022 to 52.6% in the four months ended April 30, 2023. In the four months ended April 30, 2023, revenue under cross-border seaborne transportation operated by us represented the demurrage and detention charges to our containers were not picked up and/or held over-time by our customers beyond the rental-free periods; while cost of sales was primarily related to container fees in relation to the storage of containers and depreciation and amortization of our containers during the period. We did not provide any self-operated cross-border logistics services during the same period due to market conditions. Accordingly, the higher gross profit margin achieved during the four months ended April 30, 2023 was not representative of our self-operated cross-border logistics services and was not directly comparable to that in the same period of 2022.

- *Cross-border seaborne transportation provided by third parties.* The gross profit margin of our cross-border seaborne transportation provided by third parties increased from 2.2% in the four months ended April 30, 2022 to 7.2% in the four months ended April 30, 2023. Such increase was primarily due to a decrease in freight fees which was in line with the market freight rates. We also allocated more of our resources to cross-border seaborne transportation operated by third parties.

The decrease in market freight rates affected our revenue in terms of the average price per TEU we charged our customers, as well as our cost of sales in terms of the freight fees we incurred in our cross-border seaborne transportation provided by third parties. Fluctuations in market freight rates generally had a greater impact on our cost of sales than our revenue, as (i) we were not able to adjust our prices timely taking into account the decrease in freight fees in response to the market fluctuations; and (ii) apart from cross-border seaborne transportation, we also provided other logistics services such as ground transportation and other value-added services to our customers, the revenue from which was generally not directly related and less sensitive to fluctuations in market freight rates. At the same time, our cost of sales was more sensitive to the decrease in market freight rates as freight fees constituted a substantial portion of cost of sales under our cross-border seaborne transportation provided by third parties. Such freight fee cost as a percentage of our revenue from cross-border seaborne transportation provided by third parties decreased from 89.0% in the four months ended April 30, 2022 to 75.0% in the same period in 2023. Accordingly, the overall impact of the decrease in market freight rates resulted in an increase in the gross profit margin of our cross-border seaborne transportation provided by third parties in the four months ended April 30, 2023, which restored to a similar level to that in 2020.

The table below sets forth a breakdown of our gross profit and gross profit margin of 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	
	Gross Profit	*Gross Profit Margin*	*Gross Profit*	*Gross Profit Margin*	*Gross Profit*	*Gross Profit Margin*	*Gross Profit*	*Gross Profit Margin*	*Gross Profit*	*Gross Profit Margin*
	(RMB in thousands, except percentages)									
							(Unaudited)			
Cross-border seaborne transportation operated by us										
China-Americas	–	–	320,572	19.2%	285,042	14.0%	163,067	18.1%	12,720	52.6%
China-Europe	–	–	37,574	21.5%	–	–	–	–	–	–
China-Australia	–	–	11,239	11.9%	(6,657)	(3.2%)	14,166	7.7%	–	–
China-Asia	–	–	1,634	38.1%	87,972	24.8%	44,639	33.0%	–	–
	–	–	371,019	19.1%	366,357	14.1%	221,872	18.2%	12,720	52.6%
Cross-border seaborne transportation provided by third parties	51,387	6.9%	57,088	2.7%	44,820	2.5%	16,495	2.2%	23,164	7.2%
Total/Overall	51,387	6.9%	428,107	10.5%	411,177	9.4%	238,367	12.1%	35,884	10.4%

The gross profit margin of different routes under our self-operated cross-border seaborne transportation could be affected by our resource planning and specific events that happen in certain destinations.

The gross profit margin of our self-operated cross-border logistic services decreased from 2021 to 2022, which was the combined effect of the following:

- *China-Americas routes.* The gross profit margin of our self-operated China-Americas routes decreased from 19.2% in 2021 to 14.0% in 2022. The decrease was primarily due to increased bunker costs as a result of the increase in global fuel prices, partially offset by a decrease in container costs as we purchased new containers in 2021 and 2022 to support our services, thereby decreasing the need to lease containers.

- *China-Europe routes.* We did not operate any China-Europe routes as we focused our resources on other destinations considering the slow turnaround of containers and other resources due to the longer sailing schedules of the China-Europe routes. The gross profit margin of our self-operated China-Europe routes was 21.5% in 2021.

- *China-Australia routes.* The gross profit margin of our self-operated China-Australia routes decreased significantly from a gross profit margin of 11.9% in 2021 to a gross loss margin of 3.2% in 2022, which was mainly due to (i) the low utilization of the relevant vessels in the last quarter of 2022 due to the decreased market demands, (ii) the increase in port charges as one of our vessels experienced technical difficulties, leading to a prolonged docking of the vessel, and (iii) increased bunker costs, partially offset by a decrease in container costs in 2022 as we utilized more self-owned containers purchased in 2021 and 2022.

- *China-Asia routes.* The gross profit margin of our self-operated China-Asia routes decreased significantly from 38.1% in 2021 to 24.8% in 2022. The decrease was primarily due to an increase in vessel chartering costs as we chartered vessels to operate our China-Asia routes in 2022, whereas we utilized only self-owned vessels to operate our China-Asia routes in small scale in 2021.

Time charter services

The gross profit margin of our time charter services decreased from 33.4% in 2020 to 26.8% in 2021, primarily because our cost of sales related to such services increased significantly from RMB23.6 million in 2020 to RMB78.6 million in 2021, while we were not able to transfer such increase in costs to our customers primarily as the charter-out rates charged to our customers for two vessels were fixed by long-term service contracts entered in 2020, which were lower as compared to the market rates in 2021. One of the contracts was entered into in December 2020 and completed in January 2022, and the other was entered into in April 2020 and completed in May 2021. The average daily charter rates of our chartered-out vessels, calculated by our revenue of time charter services divided by the number of days for which the vessels were in operation and able to generate revenue, was approximately RMB35,000 and RMB73,000 in 2020 and 2021, respectively.

The gross profit margin of our time charter services increased from 26.8% in 2021 to 61.3% in 2022, primarily due to increased average daily charter rates from approximately RMB73,000 in 2021 to approximately RMB191,000 in 2022 pursuant to the new service contracts signed in 2022, which was in line with prevailing market rates. In 2022, we recorded a negative gross profit margin of 12.9% for our time charter services using chartered-in vessels, which was primarily attributable to (i) repair and maintenance performed in 2022 for approximately two months, during which no income was generated, and (ii) a lower charter-out rate charged to our customer pursuant to a service contract signed in April 2021 while our operating costs, such as crew wages and crew deployment costs, increased throughout 2022. We do not expect to record a negative gross profit margin for our time charter services using chartered-in vessels in the near term because (i) we have endeavored to reduce operating costs by optimizing crew members on the relevant chartered-in vessels; (ii) we do not foresee any material repair and maintenance to be performed in the near term or during the remaining charter-in period of the relevant vessels; and (iii) our relevant operating costs, such as crew wages and crew deployment costs, as well as repair and maintenance costs for the relevant vessels have generally decreased after 2022, which was in line with the changes of the relevant market price. We will continue to optimize the performance of chartered-in vessels deployed under time charter services. First, we will closely monitor the movement of vessel charter-in price to lease vessels with reasonable prices. Second, we will conduct a comprehensive cost-revenue analysis by taking potential repair and maintenance costs into consideration. Should there be any market fluctuations affecting our profitability, we will make adaptions to control costs or increase price level promptly.

The gross profit margin of our time charter services increased from 51.0% in the four months ended April 30, 2022 to 72.6% in the four months ended April 30, 2023, primarily due to the increased average daily charter rates from approximately RMB120,000 in the four months ended April 30, 2022 to approximately RMB190,000 in the same period in 2023 as the service contracts in effect in the four months ended April 30, 2023 were mainly entered into in 2022, when the market rates were relatively higher. For example, the service contract for our largest self-owned vessel was entered into in June 2022 and completed in May 2023.

Other Income and Gains

Other income and gains primarily consist of (i) gain on disposal of property, plant and equipment, which mainly include gain on disposal of containers; (ii) government grants, which mainly represented unconditional cash awards granted by the local authorities in China; (iii) interest income, which mainly include interest income from bank deposits and other interest income; and (iv) gain on disposal of associates. The table below sets forth a breakdown of other income and gains, both in absolute amounts and as percentages of our total other income and gains, for the periods indicated:

	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 percentages)									
							(Unaudited)			
Gain on disposal of property, plant and equipment	7,834	79.8	18,442	77.8	–	–	1,294	43.2	–	–
Gain on disposal of a subsidiary	–	–	1,724	7.3	–	–	–	–	–	–
Government grants	410	4.2	81	0.3	571	6.0	245	8.2	84	2.5
Interest income	889	9.1	177	0.7	2,081	21.9	1,434	47.9	90	2.7
Foreign exchange gains	201	2.0	–	–	6,803	71.6	–	–	2,765	82.7
Gain on disposal of associates	100	1.0	3,277	13.8	–	–	–	–	–	–
Fair value gain on financial assets at fair value through profit or loss	–	–	–	–	–	–	–	–	316	9.4
Others	385	3.9	30	0.1	52	0.5	21	0.7	90	2.7
Total	9,819	100.0	23,731	100.0	9,507	100.0	2,994	100.0	3,345	100.0

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of salaries and welfare of our sales and marketing team and travel expenses. The table below sets forth a breakdown of our selling and distribution expenses, both in absolute amounts and as percentages of our selling and distribution expenses, for the periods indicated:

	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 percentages)									
							(Unaudited)			
Salaries and welfare	7,245	73.6	11,975	81.6	17,618	94.7	5,585	94.6	5,217	89.7
Travel expenses	1,718	17.5	2,103	14.3	305	1.6	24	0.4	98	1.7
Others(1)	876	8.9	608	4.1	685	3.7	296	5.0	497	8.6
Total	9,839	100.0	14,686	100.0	18,608	100.0	5,905	100.0	5,812	100.0

Note:

(1) Others primarily include office expenses, communication expenses and other miscellaneous expenses.

Administrative Expenses

Our administrative expenses primarily consist of (i) salaries and welfare of our administrative staff; (ii) [**REDACTED**]; (iii) consulting fees; (iv) depreciation and amortization and (v) office expenses and travel expenses.

The table below sets out a breakdown of our administrative expenses, both in absolute amounts and as percentages of our administrative expenses, for the periods indicated:

	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 percentages)									
							(Unaudited)			
Salaries and welfare	14,220	49.1	31,301	62.9	35,953	41.3	9,138	53.1	8,642	43.6
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Consulting fees	1,464	5.1	3,184	6.4	8,001	9.2	2,842	16.5	760	3.8
Depreciation and amortization	3,271	11.3	3,084	6.2	7,953	9.1	1,958	11.4	2,915	14.7
Office expenses and travel expenses	6,213	21.5	6,743	13.5	7,173	8.2	2,094	12.2	1,941	9.8
Others[1]	3,746	13.0	5,504	11.0	5,591	6.4	1,186	6.8	1,767	8.9
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Note:

(1) Others primarily include bank charges, entertainment expenses and research and development expenses.

Other Expenses

In 2020 and 2021 and the four months ended April 30, 2022, our other expenses primarily represented foreign exchange losses. In 2022 and the four months ended April 30, 2023, our other expenses primarily represented loss on disposal of non-current assets in relation to the disposal of our containers. Our other expenses amounted to RMB0.1 million, RMB4.2 million, RMB3.4 million, RMB2.8 million and RMB0.8 million in 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, respectively.

Finance Costs

Our finance costs include interest expense on bank and other borrowings and interest expense on lease liabilities. The following table sets out a breakdown of our finance costs, both in absolute amounts and as percentages of our finance costs, for the periods indicated:

	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 percentages)									
							(Unaudited)			
Interest expense on bank and other borrowings	3,431	90.1	7,599	94.6	4,372	90.6	1,750	89.9	1,920	88.7
Interest expense on lease liabilities	378	9.9	434	5.4	455	9.4	197	10.1	245	11.3
Total	3,809	100.0	8,033	100.0	4,827	100.0	1,947	100.0	2,165	100.0

Impairment Losses on Assets Held for Sale

Impairment losses on assets held for sale represent impairment made to the containers that we intend to dispose of. In December 2022, we entered into an agreement pursuant to which we planned to sell certain containers to an independent third-party buyer before December 2023. We recorded impairment losses on asset held for sale of RMB36.5 million in 2022 from writing down the carrying values of the underlying containers to their fair values less expected costs to sell. For details of our assets held for sale, see "—Description of Certain Items of Consolidated Statements of Financial Position—Assets Held for Sale."

Impairment Losses on Financial Assets

Impairment losses on financial assets primarily consist of impairment charges we recorded on trade receivables and other receivables generated in the ordinary course of business. Our impairment losses on financial assets amounted to RMB1.1 million, RMB2.1 million, RMB8.8 million, RMB0.1 million and RMB5.6 million in 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, respectively.

Share of Profits and Losses of Associates

During the Track Record Period, share of profits and losses of associates was primarily associated with the share of profits of our interest in associates as set forth in Note 17 to the Accountants' Report in Appendix I to this document. Our share of profits of associates amounted to RMB0.3 million and RMB6.0 million in 2020 and 2021, respectively. We had a share of losses of associates of RMB0.2 million, RMB53,000 and RMB11,000 in 2022 and the four months ended April 30, 2022 and 2023, respectively.

Income Tax Expense/Credit

The following table sets out a breakdown of our income tax expense/credit for the periods indicated:

	Year ended December 31,			Four months ended April 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	(RMB in thousands)			*(Unaudited)*	
Current tax:					
Mainland China	611	11,684	8,598	5,383	692
Hong Kong	1,797	3,887	857	302	821
Deferred tax	157	114	(379)	(94)	(2,558)
Total income tax expense/(credit) for the year/period	2,565	15,685	9,076	5,591	(1,045)

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate. As of the Latest Practicable Date, we did not have any material unsolved income tax disputes with relevant tax authorities in the jurisdictions where we currently operate. In 2020, 2021 and 2022 and the four months ended April 30, 2022, our effective tax rates, calculated as income tax expense divided by profit before tax, were 8.5%, 3.8%, 2.3% and 2.4%, respectively. We recorded an income tax credit of RMB1.0 million, primarily due to the deferred tax assets recognized during the same period arising from the temporary differences from the provision of loss allowances for our financial assets, lease liabilities and the recognition of unutilized tax loss of our subsidiaries.

Cayman Islands

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation.

British Virgin Islands

Our BVI subsidiaries and all dividends, interest, rents, royalties, compensation and other amounts paid by our BVI subsidiaries to persons who are not resident in the BVI and any capital gains realized with respect to any shares, debt obligations, or other securities of our BVI subsidiaries by persons who are not resident in the BVI are exempt from all provisions of the Income Tax Ordinance in the BVI.

Hong Kong

Under the current Hong Kong Inland Revenue Ordinance ("**IRO**"), the Hong Kong subsidiaries are generally subject to Hong Kong profits tax at the rate of 16.5% on their taxable income generated from the operations in Hong Kong. A two-tiered profits tax rate regime was introduced in 2018 where the first HK$2.0 million of assessable profits earned by a company will be taxed at half of the current tax rate (8.25%) whilst the remaining profits will continue to be taxed at 16.5%. There is an anti-fragmentation measure where each group can only nominate one company in the group to benefit from progressive rates.

Our principal operating subsidiary in Hong Kong, namely, BAL Container Line ("**BAL**"), previously submitted tax exemption claims in its profits tax filing to the Inland Revenue Department ("**IRD**"):

- For the tax year 2020, we consider that the profits derived from the cross-border logistics services provided by BAL were not subject to profits tax in Hong Kong as the profits were not arising in nor derived from Hong Kong under Section 14(1) of the IRO.

- For the tax year 2021, the profits derived from the cross-border seaborne transportation services provided by BAL were exempt from profits tax in Hong Kong on the basis that such profits qualified for exemption under Section 23B of the IRO.

Our Hong Kong tax expert, Cheng & Cheng Taxation Services Limited, is of the view that BAL has the technical basis to pursue non-taxable claims for the abovementioned incomes under profits tax in Hong Kong based on the available information. As of the Latest Practicable Date, we had filed the tax return for the tax year 2022. We had not identified any material issues in the preparation of tax filing.

For the tax year of 2020, without tax exemption claims, our estimated tax payable in Hong Kong would only be HK$2.1 million. Before the IRD makes the final decision on our tax exemption claims, it requires time, effort and the attention of our management team and the relevant personnel to handle any enquiry from the IRD regarding such tax exemption claims. Considering the amount is relatively insignificant compared with our business scale and the potential resources required for the tax exemption claims to be approved, BAL withdrew the tax exemption claims pursuant to Section 14(1) of the IRO for the tax year 2020 in September 2022 based on a cost-benefit analysis which is in line with the principle of prudence. Our Hong Kong Tax Expert is of the view that such withdrawal is commonly seen during the tax review process, and risk of being penalized as a result of such withdrawal is remote. In October 2022, we had made the tax payment resulting from the withdrawal of tax exemption claims. In the event we were to be penalized by IRD, based on the advice of our Hong Kong Tax Expert, we may be subject to a maximum penalty of approximately HK$6.3 million, representing three times of the tax payable for tax year 2020. However, considering that (i) our Group had withdrawn the tax exemption claims and had made the tax payment in October 2022, and (ii) up to the Latest Practicable Date, our tax exemption claims pursuant to Section 14(1) of the IRO for the tax year 2020 were not subject to any enquiry from IRD, our Hong Kong Tax Expert is of the view that the risk of being penalized is remote. Any penalty of our Group in relation to the above tax exemption claims, if incurred, will be fully indemnified by our Controlling Shareholders.

China

Under the EIT Law and Implementation Regulation of the EIT Law, the income tax rate of our PRC subsidiaries is 25% during the Track Record Period. Pursuant to the relevant regulations applicable to small and micro businesses, certain of our PRC subsidiaries enjoyed a preferential tax rate of 20% with a discount to taxable income during the Track Record Period. In addition, our indirect non-wholly owned subsidiary, Shanghai Hanyun was accredited as a high and new technology enterprise in 2018, and therefore was entitled to a preferential income tax rate of 15%.

DISCUSSION OF RESULTS OF OPERATIONS

Four Months Ended April 30, 2023 Compared to Four Months Ended April 30, 2022

Revenue

Our revenue decreased by 77.4% from RMB2,011.1 million in the four months ended April 30, 2022 to RMB453.8 million in the four months ended April 30, 2023 primarily due to a decrease in revenue in of our cross-border logistics services segment, partially offset by an increase in time charter services segment.

Cross-border logistics services. Our revenue generated from cross-border logistics services decreased by 82.5% from RMB1,970.7 million in the four months ended April 30, 2022 to RMB344.2 million in the four months ended April 30, 2023, which was the combined effect of the following:

- *Cross-border seaborne transportation operated by us.* Our revenue from self-operated cross-border seaborne transportation decreased from RMB1,220.1 million in the four months ended April 30, 2022 to RMB24.2 million in the four months ended April 30, 2023, as we did not provide any self-operated cross-border logistics services for the four months ended April 30, 2023 due to market conditions. The revenue generated from self-operated cross-border seaborne transportation services in the four months ended April 30, 2023 represented demurrage and detention charges to our customers when our containers were not picked up and/or held over-time by our customers beyond the rental-free periods. Revenue of demurrage and detention we charged in the four months ended April 30, 2023 was related to our self-operated shipping routes to Mexico and Canada, where the corresponding shipments had been completed prior to December 31, 2022. The amount of such demurrage and detention charges were subject to negotiations between us and our customers before December 31, 2022, and were subsequently agreed during the four months ended April 30, 2023. We then billed our customers separately based on the agreement and recognized revenue on the basis that uncertainties associated with such demurrage and detention charges were subsequently resolved, so that the receipt of demurrage and detention charges are highly probable and a significant reversal of these charges will not occur.

- *Cross-border seaborne transportation provided by third parties.* 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 four months ended April 30, 2023. The decrease was primarily due to (i) a decrease in average price per TEU from RMB8,500 in the four months ended April 30, 2022 to RMB4,100 in the four months ended April 30, 2023, primarily due to a decrease in market freight rates, and (ii) a decrease in service volume from 88,086 TEUs in the four months ended April 30, 2022 to 78,862 TEUs in the four months ended April 30, 2023, primarily due to favorable prevailing market conditions in early 2022.

Time charter services. We have flexible business plans to utilize our shipping capacity in time charter services with reference to market conditions and charter rates. Our revenue generated from time charter services increased significantly from RMB40.4 million in the four months ended April 30, 2022 to RMB107.2 million in the four months ended April 30, 2023. The increase was primarily due to (i) us utilizing more container vessels for time charter services during the four months ended April 30, 2023, which the vessels were utilized for providing self-operated cross-border logistics services in the same period in 2022; and (ii) the higher charter rates for the service contracts in effect in the later period which were mainly entered into in 2022, when the market rates were relatively higher.

Others. We commenced our supply chain solutions services in February 2023 under which we acted as import agency for our clients and generated revenue of RMB2.4 million from trading of imported goods during the four months ended April 30, 2023.

Cost of sales

Our cost of sales decreased by 80.6% from RMB1,752.1 million in the four months ended April 30, 2022 to RMB340.1 million in the four months ended April 30, 2023.

Cross-border logistics services. Cost of sales related to cross-border logistics services decreased by 82.2% from RMB1,732.4 million in the four months ended April 30, 2022 to RMB308.3 million in the four months ended April 30, 2023. The decrease was primarily due to:

(i) a decrease of RMB986.8 million in cross-border seaborne transportation operated by us mainly because we did not provide any self-operated cross-border logistics services during the four months ended April 30, 2023. We incurred primarily container fees in relation to the storage of containers and depreciation and amortization of our containers during the same period, and

(ii) a decrease of RMB437.3 million in cross-border seaborne transportation provided by third parties primarily because the freight fees charged to us by third-party shipping companies decreased from RMB668.3 million in the four months ended April 30, 2022 to RMB239.9 million in the four months ended April 30, 2023, which was due to a decrease in service volume and prevailing market freight rates.

Time charter services. Cost of sales related to time charter services increased by 48.0% from RMB19.8 million in the four months ended April 30, 2022 to RMB29.3 million in the four months ended April 30, 2023, as we deployed two more of our container vessels for time charter services during the period, which were utilized for providing self-operated cross-border logistics services in the same period in 2022.

Others. We commenced our supply chain solutions services in February 2023 and incurred cost of sales in relation to the purchase of imported goods amounting to RMB2.4 million for the four months ended April 30, 2023.

Gross profit and the gross profit margin

Our gross profit decreased from RMB259.0 million in the four months ended April 30, 2022 to RMB113.7 million in the four months ended April 30, 2023. Our gross profit margin increased from 12.9% in the four months ended April 30, 2022 to 25.1% in the four months ended April 30, 2023.

Cross-border logistics services. The gross profit of our cross-border logistics services decreased from RMB238.4 million in the four months ended April 30, 2022 to RMB35.9 million in the four months ended April 30, 2023. The gross profit margin of our cross-border logistics services decreased from 12.1% in the four months ended April 30, 2022 to 10.4% in the four months ended April 30, 2023, as we paused offering self-operated cross-border logistics services in the latter period in light of market conditions.

- *Cross-border seaborne transportation operated by us.* The gross profit margin of our self-operated cross-border seaborne transportation increased from 18.2% in the four months ended April 30, 2022 to 52.6% in the four months ended April 30, 2023. In the four months ended April 30, 2023, revenue under cross-border seaborne transportation operated by us represented demurrage and detention charges to our customers when our containers were not picked up and/or held over-time by our customers beyond the rental-free periods; while cost of sales was primarily related to container fees in relation to the storage of containers and depreciation and amortization of our containers during the period. We did not provide any self-operated cross-border logistics services during the same period due to market conditions. Accordingly, the higher gross profit margin achieved during the four months ended April 30, 2023 was not representative of our self-operated cross-border logistics service and was not directly comparable to that in the same period of 2022.

- *Cross-border seaborne transportation provided by third parties.* The gross profit margin of our cross-border seaborne transportation provided by third parties increased from 2.2% in the four months ended April 30, 2022 to 7.2% in the four months ended April 30, 2023. Such increase was primarily due to a decrease in freight fees which was in line with the market freight rates. We also allocated more of our resources to cross-border seaborne transportation operated by third parties. The gross profit margin of our cross-border seaborne transportation provided by third parties in the four months ended April 30, 2023 restored to a similar level to that in 2020.

Time charter services. The gross profit of our time charter services increased from RMB20.6 million in the four months ended April 30, 2022 to RMB77.8 million in the four months ended April 30, 2023. The gross profit margin of our time charter services increased from 51.0% in the four months ended April 30, 2022 to 72.6% in the four months ended April 30, 2023, primarily due to the increased average daily charter rates from approximately RMB120,000 in the four months ended April 30, 2022 to approximately RMB190,000 in the same period in 2023 as the service contracts in effect in the four months ended April 30, 2023 were mainly entered into in 2022, when the market rates were relatively higher. For example, the service contract for our largest self-owned vessel was entered into in June 2022 and completed in May 2023.

Others. We commenced our supply chain solutions services in February 2023 and generated marginal gross profit of RMB14,000 and gross profit margin of 0.6% from trading of imported goods during the four months ended April 30, 2023. As we just commenced our supply chain solutions in February 2023, we are intentionally limiting the types of goods imported. We will aim to gradually expand our service scope to cover more types of goods and explore raising the import agency fee.

Other income and gains

Our other income and gains increased from RMB3.0 million in the four months ended April 30, 2022 to RMB3.3 million in the four months ended April 30, 2023, primarily due to the recognition of foreign exchange gains of RMB2.8 million in the four months ended April 30, 2023, mainly arising from the exchange rate fluctuation when we settled trade payables in U.S. dollars. Such increase was partially offset by (i) the recognition of gain on disposal of property, plant and equipment of RMB1.3 million in the four months ended April 30, 2022 and (ii) the decrease in interest income from RMB1.4 million in the four months ended April 30, 2022 to RMB90,000 in the four months ended April 30, 2023.

Selling and distribution expenses

Our selling and distribution expenses remained relatively stable at RMB5.9 million and RMB5.8 million in the four months ended April 30, 2022 and 2023, respectively. The proportion of selling and distribution expenses of our total revenue increased from 0.3% in the four months ended April 30, 2022 to 1.3% in the four months ended April 30, 2023, as a result of the decrease in our revenue.

Administrative expenses

Our administrative expenses increased by 15.1% from RMB17.2 million in the four months ended April 30, 2022 to RMB19.8 million in the four months ended April 30, 2023, primarily due to [**REDACTED**] incurred of RMB3.8 million in the four months ended April 30, 2023. The increase was partially offset by a decrease in consulting fee, which was incurred in relation to the Delisting from the NEEQ during the four months ended April 30, 2022. The proportion of administrative expenses of our total revenue increased from 0.9% in the four months ended April 30, 2022 to 4.4% in the four months ended April 30, 2023, as a result of the decrease in our revenue.

Other expenses

Our other expenses decreased from RMB2.8 million in the four months ended April 30, 2022 to RMB0.8 million in the four months ended April 30, 2023, primarily due to the absence of foreign exchange losses in the four months ended April 30, 2023 as compared to foreign exchange losses of RMB2.7 million in the four months ended April 30, 2022. We recorded net foreign exchange gains of RMB2.8 million in the four months ended April 30, 2023 and such amount was recognized as other income and gains.

Finance costs

Our finance costs increased from RMB1.9 million in the four months ended April 30, 2022 to RMB2.2 million in the four months ended April 30, 2023, primarily due to an increase in interest expense on bank and other borrowings.

Impairment losses on financial assets

Our impairment losses on financial assets increased from RMB0.1 million in the four months ended April 30, 2022 to RMB5.6 million in the four months ended April 30, 2023, primarily due to an increase in provision for impairment of our trade receivables as a result of the increased trade receivables aged over one year. We adopt a simplified approach to measure the expected credit losses of our trade receivables. The provision rates are based on the number of days past due for groups of various customer segments with similar loss pattern, reflecting the probability-weighted outcome, the time value of money and reasonable and supportable information that are in relation to specific past events, current conditions and forecasts of future economic conditions.

Share of losses of associates

Our share of losses of associates was RMB53,000 and RMB11,000 in the four months ended April 30, 2022 and 2023, respectively, arising from Lecang International Logistics (Wuxi) Co., Ltd.

Income tax expense/credit

We recorded income tax expense of RMB5.6 million for the four months ended April 30, 2022 and income tax credit of RMB1.0 million during the same period in 2023. The income tax credit for the four months ended April 30, 2023 was mainly attributable to the deferred tax assets recognized during the same period arising from the temporary differences from the provision of loss allowances for our financial assets, lease liabilities and the recognition of unutilized tax loss of our subsidiaries.

Profit for the period

Our profit for the period decreased by 63.2% from RMB228.3 million in the four months ended April 30, 2022 to RMB84.0 million in the four months ended April 30, 2023, which was primarily due to the decrease in revenue during the period.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue

Our revenue increased by 9.8% from RMB4,195.4 million in 2021 to RMB4,607.9 million in 2022 due to increases in both of our business segments.

Cross-border logistics services. Our revenue generated from cross-border logistics services increased by 7.4% from RMB4,088.1 million in 2021 to RMB4,389.2 million in 2022, which was the combined effect of the following:

- *Cross-border seaborne transportation operated by us.* 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, partially offset by a decrease in average price per TEU from RMB28,400 in 2021 to RMB26,000 in 2022.

- *Cross-border seaborne transportation provided by third parties.* 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 (i) 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. The average price per TEU remained relatively stable at RMB6,900 in 2021 and RMB7,000 in 2022.

Time charter services. We have flexible business plans to utilize 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. Our revenue generated from time charter services increased by 103.9% from RMB107.3 million in 2021 to RMB218.8 million in 2022 primarily due to increased average daily charter rates pursuant to the new contracts signed in 2022, which were in line with the higher prevailing market rates in 2022 than that of 2021.

Cost of sales

Our cost of sales increased by 8.7% from RMB3,738.6 million in 2021 to RMB4,062.6 million in 2022.

Cross-border logistics services. Cost of sales related to cross-border logistics services increased by 8.7% from RMB3,660.0 million in 2021 to RMB3,978.0 million in 2022, which was generally in line with our revenue growth in the segment. The increase was primarily due to:

(i) an increase of RMB668.7 million in cross-border seaborne transportation operated by us mainly because we incurred more vessel chartering costs, port charges and bunker costs, as we commenced self-operated cross-border seaborne transportation service in the first half of 2021, and it has achieved significant growth since then; partially offset by

(ii) a decrease of RMB350.7 million in cross-border seaborne transportation provided by third parties primarily because the freight fees charged to us by third-party shipping companies decreased from RMB1,876.4 million in 2021 to RMB1,590.8 million in 2022, which generally corresponded to the decrease in service volume as a result of our strategy to allocate more resources to develop our self-operated cross-border seaborne transportation.

In 2021, cost of sales related to cross-border seaborne transportation operated by us and provided by third parties accounted for 41.9% and 56.0% of total cost of sales, respectively. In 2022, cost of sales related to cross-border seaborne transportation operated by us and provided by third parties accounted for 55.0% and 42.9% of total cost of sales, respectively.

Time charter services. Cost of sales related to time charter services increased by 7.6% from RMB78.6 million in 2021 to RMB84.6 million in 2022, primarily due to (i) an increase in vessel overhaul costs for general maintenance, which were regularly incurred by us depending on the conditions and chartering schedules of our vessels; and (ii) an increase in vessel chartering costs for chartered-in vessels.

Gross profit and the gross profit margin

Our gross profit increased from RMB456.8 million in 2021 to RMB545.3 million in 2022. Our gross profit margin increased slightly from 10.9% in 2021 to 11.8% in 2022.

Cross-border logistics services. The gross profit of our cross-border logistics services decreased from RMB428.1 million in 2021 to RMB411.2 million in 2022. The gross profit margin of our cross-border logistics services decreased from 10.5% in 2021 to 9.4% in 2022, which was due to the combined effect of:

- *Cross-border seaborne transportation operated by us.* The gross profit margin of our self-operated cross-border seaborne transportation decreased from 19.1% in 2021 to 14.1% in 2022. Such decrease was primarily due to (i) an increase in vessel chartering costs for our self-operated services utilizing chartered-in vessels which was in line with prevailing market rates driven by the increased market demands; (ii) an increase in bunker costs as a result of an increase in global fuel prices in 2022, partially offset by savings in container costs as we purchased containers in 2021 and 2022 to support our services, thereby decreasing the need to lease containers.

- *Cross-border seaborne transportation provided by third parties.* The gross profit margin of cross-border seaborne transportation provided by third parties remained relatively stable at 2.7% and 2.5% in 2021 and 2022, respectively.

Time charter services. The gross profit of our time charter services increased significantly from RMB28.7 million in 2021 to RMB134.1 million in 2022. The gross profit margin of our time charter services increased significantly from 26.8% in 2021 to 61.3% in 2022, mainly due to the increased average daily charter rates from approximately RMB73,000 in 2021 to approximately RMB191,000 in 2022, which were in line with the higher prevailing market rates in 2022 than that of 2021.

Other income and gains

Our other income and gains decreased from RMB23.7 million in 2021 to RMB9.5 million in 2022, primarily due to the absence of gain on disposal of property, plant and equipment, gain on disposal of associates and gain on disposal of a subsidiary in 2022, partially offset by an increase in foreign exchange gains from nil in 2021 to RMB6.8 million in 2022 mainly arising from the exchange rate fluctuation when we settled trade receivables in U.S. dollars.

Selling and distribution expenses

Our selling and distribution expenses increased by 26.5% from RMB14.7 million in 2021 to RMB18.6 million in 2022, primarily due to an increase in salaries and welfare as a result of (i) the increased average compensation paid to our sales staff, in particular bonuses paid due to increased sales; and (ii) an increase in headcount to support our business. The proportion of selling and distribution expenses of our total revenue remained stable at 0.4% in 2021 and 2022.

Administrative expenses

Our administrative expenses increased by 74.9% from RMB49.8 million in 2021 to RMB87.1 million in 2022, primarily due to (i) the [**REDACTED**] incurred of RMB[**REDACTED**] million in 2022; (ii) an increase in depreciation and amortization by RMB4.9 million mainly arising from the amortization of right of use assets in relation to office leases; (iii) an increase in consulting fees by RMB4.8 million from RMB3.2 million in 2021 to RMB8.0 million in 2022 mainly arising from the engagement of professional service providers in 2022 for the Delisting from the NEEQ; and (iv) an increase in salaries and welfare by RMB4.7 million, as a result of the increased headcounts of our administrative staff to support our business growth and the increased average compensation paid to our administrative staff. The proportion of administrative expenses of our total revenue increased from 1.2% in 2021 to 1.9% in 2022.

Other expenses

Our other expenses decreased from RMB4.2 million in 2021 to RMB3.4 million in 2022, primarily due to the absence of foreign exchange losses in 2022 as compared to foreign exchange losses of RMB4.0 million in 2021. We recorded net foreign exchange gains of RMB6.8 million in 2022 and such amount was recognized as other income and gains. The decrease in other expenses was partially offset by an increase in loss on disposal of non-current assets of RMB2.8 million related to the disposal of our containers.

Finance costs

Our finance costs decreased from RMB8.0 million in 2021 to RMB4.8 million in 2022, primarily due to a decrease in interest expense on bank and other borrowings driven by a smaller balance of bank and other borrowings.

Impairment losses on assets held for sale

Our impairment losses on assets held for sale represent impairment made to the containers that we intend to dispose of. In December 2022, we entered into an agreement pursuant to which we planned to sell certain containers to an independent third-party buyer before December 2023. We recorded impairment losses on asset held for sale of RMB36.5 million in 2022 from writing down the carrying values of the underlying containers to their fair values less expected costs to sell.

Impairment losses on financial assets

Our impairment losses on financial assets increased from RMB2.1 million in 2021 to RMB8.8 million in 2022, primarily due to an increase in provision for impairment of our trade receivables. We adopt a simplified approach to measure the expected credit losses of our trade receivables. The provision rates are based on the number of days past due for groups of various customer segments with similar loss pattern, reflecting the probability-weighted outcome, the time value of money and reasonable and supportable information that are in relation to specific past events, current conditions and forecasts of future economic conditions.

Share of profits and losses of associates

Our share of profits of associates was RMB6.0 million in 2021. Our share of loss of associates was RMB0.2 million in 2022, primarily affected by the disposal of 45% of equity interest in BAL Bright in December 2021, from which we generated profits in 2021.

Income tax expense

Our income tax expense decreased from RMB15.7 million in 2021 to RMB9.1 million in 2022, primarily due to an increase in non-taxable income in 2022. Our effective tax rate decreased from 3.8% in 2021 to 2.3% in 2022 primarily due to the fact that the profit generated by our shipping routes operating in Hong Kong outside the waters of Hong Kong is not included in the assessable profits of Hong Kong, and in 2022, our net profit on self-operated cross-border seaborne transportation service, constituting the major part of our net profit generated from cross-border logistics services, was generated outside Hong Kong waters.

Profit for the year

Our profit decreased slightly by 1.5% from RMB392.0 million in 2021 to RMB386.3 million in 2022, which was primarily due to (i) an increase in administrative expense in 2022 mainly as a result of the [**REDACTED**] incurred, and (ii) the impairment losses on assets held for sale recorded in 2022 relating to our containers to be disposed of.

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

Our revenue increased significantly by 436.8% from RMB781.5 million in 2020 to RMB4,195.4 million in 2021, primarily due to an increase from cross-border logistics services.

Cross-border logistics services. Our revenue generated from cross-border logistics services increased significantly from RMB743.5 million in 2020 to RMB4,088.1 million in 2021, which was the combined effect of the following:

- *Cross-border seaborne transportation operated by us.* 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.

- *Cross-border seaborne transportation provided by third parties.* 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 driven by market demands.

Time charter services. We have flexible business plan to utilize our shipping capacity in time charter services after securing sufficient shipping capacity for our integrated cross-border logistics services, with reference to market condition and charter rates. Our revenue generated from time charter services increased by 202.3% from RMB35.5 million in 2020 to RMB107.3 million in 2021, primarily due to (i) increased average daily charter rates; (ii) the addition of two self-owned vessels in 2020, which were not in full operation for the whole year in 2020 but were in full operation for the whole year in 2021; and (iii) revenue generated from a newly chartered-in vessel we chartered out in 2021.

Cost of sales

Our cost of sales increased significantly by 420.9% from RMB717.7 million in 2020 to RMB3,738.6 million in 2021.

Cross-border logistics services. Cost of sales related to cross-border logistics services increased significantly from RMB692.1 million in 2020 to RMB3,660.0 million in 2021, which was generally in line with our revenue growth in the segment. The increase in cost of sales for cross-border logistics services was primarily due to:

(i) an increase of RMB1,568.0 million in cross-border seaborne transportation operated by us mainly because we incurred additional vessel chartering costs and bunker costs as well as more port charges and container costs, after we commenced to provide self-operated cross-border seaborne transportation since 2021;

(ii) an increase of RMB1,399.9 million in cross-border seaborne transportation provided by third parties mainly because the freight fees charged to us by third-party shipping companies increased from RMB563.5 million in 2020 to RMB1,876.4 million in 2021, which was in line with the increase in market rates due to changes in supply and demand caused by the COVID-19 pandemic worldwide, and an increase in the service volume.

In 2020, our cost of sales was all related to cross-border seaborne transportation provided by third parties. In 2021, cost of sales related to cross-border seaborne transportation operated by us and provided by third parties accounted for 41.9% and 56.0% of total cost of sales, respectively.

Time charter services. Cost of sales related to time charter services increased significantly from RMB23.6 million in 2020 to RMB78.6 million in 2021, which was generally in line with our revenue growth in the segment, and primarily due to (i) increases in crew costs, cost of spare parts and other costs for operating our self-owned vessel, which was in line with the market trend; (ii) vessel overhaul costs for our self-owned vessels; and (iii) vessel chartering costs for a chartered-in vessel.

Gross profit and gross profit margin

Our gross profit increased significantly by 616.0% from RMB63.8 million in 2020 to RMB456.8 million in 2021. Our gross profit margin increased from 8.2% in 2020 to 10.9% in 2021. Such increase was primarily a result of the combined effect of:

Cross-border logistics services. The gross profit of our cross-border logistics services increased from RMB51.4 million in 2020 to RMB428.1 million in 2021. The gross profit margin of our cross-border logistics services increased from 6.9% in 2020 to 10.5% in 2021, which was due to the combined effect of:

- *Cross-border seaborne transportation operated by us.* We commenced our self-operated cross-border seaborne transportation in 2021, which contributed 47.4% of revenue from cross-border logistics services and attained gross profit margin of 19.1%; and

- *Cross-border seaborne transportation provided by third parties.* The gross profit margin of our cross-border seaborne transportation provided by third parties decreased from 6.9% in 2020 to 2.7% in 2021. Such decrease was primarily due to the significant increase in freight fees as a result of the increase in market freight rates. We also allocated more of our resources to develop self-operated cross-border seaborne transportation.

Time charter services. The gross profit of our time charter services increased from RMB11.9 million in 2020 to RMB28.7 million in 2021. The gross profit margin of our time charter services decreased from 33.4% in 2020 to 26.8% in 2021, primarily because our cost of sales related to such services increased significantly from RMB23.6 million in 2020 to RMB78.6 million in 2021, while we were not able to transfer such increase in costs to our customers primarily as the charter-out rates charged to our customers for two vessels were fixed by long-term service contracts entered into in 2020, which were lower as compared to the market rates in 2021. One of the contracts was entered into in December 2020 and completed in January 2022 and the other was entered into in April 2020 and completed in May 2021. The average daily charter rates of our chartered-out vessels was approximately RMB35,000 and RMB73,000 in 2020 and 2021, respectively.

Other income and gains

Our other income and gains increased from RMB9.8 million in 2020 to RMB23.7 million in 2021, primarily due to an increase in (i) gain on disposal of property, plant and equipment from RMB7.8 million in 2020 to RMB18.4 million in 2021 primarily due to the increase in the price of disposed containers caused by the short supply due to COVID-19 pandemic; (ii) gain on disposal of associates from RMB0.1 million in 2020 to RMB3.3 million in 2021, primarily due to the disposal of 45% of equity interest in BAL Bright in December 2021.

Selling and distribution expenses

Our selling and distribution expenses increased by 50.0% from RMB9.8 million in 2020 to RMB14.7 million in 2021, primarily due to an increase in salaries and welfare as a result of the increase in our headcounts of our sales staff and the increase in the average compensation paid to our sales staff, in particular the bonus due to the increase in sales volume. The proportion of selling and distribution expenses of our total revenue decreased from 1.3% in 2020 to 0.4% in 2021 primarily because our revenue increased significantly in 2021.

Administrative expenses

Our administrative expenses increased by 72.3% from RMB28.9 million in 2020 to RMB49.8 million in 2021, primarily due to an increase in salaries and welfare as a result of increased headcounts of our administrative staff to support our business expansion. The proportion of administrative expenses of our total revenue decreased from 3.7% in 2020 to 1.2% in 2021 primarily because our revenue increased significantly in 2021.

Other expenses

Our other expenses increased from RMB0.1 million in 2020 to RMB4.2 million in 2021, primarily due to foreign exchange losses of RMB4.0 million in 2021 due to the exchange rate fluctuation when we settled trade receivables in U.S. dollars.

Finance costs

Our finance costs increased from RMB3.8 million in 2020 to RMB8.0 million in 2021, primarily due to the increase in interest on bank and other borrowings driven by a larger balance of bank and other borrowings.

Impairment losses on financial assets

Our impairment losses on financial assets increased from RMB1.1 million in 2020 to RMB2.1 million in 2021, primarily in relation to an increase in provision for impairment of our trade receivables.

Share of profits of associates

Our share of profits of associates increased from RMB0.3 million in 2020 to RMB6.0 million in 2021, primarily related to the increased profit of BAL Bright.

Income tax expense

Our income tax expense increased significantly by 503.8% from RMB2.6 million in 2020 to RMB15.7 million in 2021, reflecting an increase in our profit before tax as a result of our business growth. Our effective tax rates decreased from 8.5% in 2020 to 3.8% in 2021 primarily due to the fact that the profit generated by our shipping routes operating in Hong Kong outside the waters of Hong Kong is not included in the assessable profits of Hong Kong, and in 2021, our net profits on self-operated cross-border seaborne transportation service was generated outside Hong Kong waters.

Profit for the year

Our profit increased significantly from RMB27.5 million in 2020 to RMB392.0 million in 2021, primarily due to (i) an increase in our gross profit from RMB63.8 million in 2020 to RMB456.8 million in 2021 as a result of the increase in our revenue and the reduced proportion of cost of sales in total revenue, as we commenced self-operated cross-border seaborne transportation service in the first half of 2021; and (ii) an increase in our other income and gains from RMB9.8 million in 2020 to RMB23.7 million in 2021, which were partially offset by (iii) an increase in our administrative expenses from RMB28.9 million in 2020 to RMB49.8 million in 2021 as explained above.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our capital expenditure and working capital requirements primarily through cash generated from operating activities and bank borrowings. In the future, we expect to continue relying on cash flows from operations, [**REDACTED**] from the [**REDACTED**], and other debt to fund our working capital needs.

Cash Flows

The following table sets forth a summary of our consolidated statements of cash flows for the periods indicated:

	Years ended December 31,			Four months ended April 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	(RMB in thousands)				
				(Unaudited)	
Net cash flows from operating activities	50,908	504,943	585,347	206,249	44,822
Net cash flows (used in)/ from investing activities	(31,578)	(395,215)	(346,991)	167,028	(210,028)
Net cash flows (used in)/from financing activities	(3,282)	32,402	(109,121)	(21,068)	(22,751)

	Years ended December 31,			Four months ended April 30,	
	2020	2021	2022	2022	2023
			(RMB in thousands)		
				(Unaudited)	
Net increase/(decrease) in cash and cash equivalents	16,048	142,130	129,235	352,209	(187,957)
Cash and cash equivalents at beginning of year/period	32,147	50,669	190,005	190,005	339,991
Effect of foreign exchange rate changes, net	2,474	(2,794)	20,751	16,495	(4,355)
Cash and cash equivalents at end of year/period	50,669	190,005	339,991	558,709	147,679

Net cash flows from operating activities

In the four months ended April 30, 2023, our net cash generated from operating activities was RMB44.8 million, primarily due to our profit before tax of RMB82.9 million, as adjusted by (i) non-cash items, which primarily included depreciation of property, plant and equipment of RMB12.5 million and impairment of trade receivables of RMB5.2 million; and (ii) changes in working capital, which primarily included a decrease in trade payables of RMB76.1 million and a decrease in other payables and accruals of RMB19.7 million, partially offset by a decrease in trade receivables of RMB24.5 million.

In 2022, our net cash generated from operating activities was RMB585.3 million, primarily due to our profit before tax of RMB395.4 million, as adjusted by (i) non-cash items, which primarily included impairment of assets held for sale of RMB36.5 million and depreciation of property, plant and equipment of RMB34.6 million; and (ii) changes in working capital, which primarily included a decrease in trade receivables of RMB152.7 million, a decrease in prepayments and other receivables of RMB27.1 million, an increase in other payables and accruals of RMB47.2 million and a decrease in inventories of RMB10.4 million, partially offset by a decrease in trade payables of RMB116.7 million.

In 2021, our net cash generated from operating activities was RMB504.9 million, primarily due to our profit before tax of RMB407.7 million, as adjusted by (i) non-cash items, which primarily included depreciation of property, plant and equipment of RMB27.0 million; and (ii) changes in working capital, which primarily included (i) an increase in trade payables of RMB326.7 million reflecting the expansion of our business operations; and (ii) an increase in other payables and accruals of RMB58.2 million, partially offset by (i) an increase in trade receivables of RMB212.8 million, which was in line with the expansion of our business; and (ii) an increase in prepayments and other receivables of RMB70.0 million.

In 2020, our net cash generated from operating activities was RMB50.9 million, primarily due to our profit before tax of RMB30.1 million, as adjusted by (i) non-cash items, which primarily included depreciation of property, plant and equipment of RMB6.1 million; and (ii) changes in working capital, which primarily included an increase in trade payables of RMB28.8 million, partially offset by an increase in trade receivables of RMB16.9 million.

Net cash flows used in investing activities

In the four months ended April 30, 2023, our net cash used in investing activities was RMB210.0 million, which was primarily due to purchases of items of property, plant and equipment and assets held for sale of RMB213.8 million, primarily for purchasing of container vessels, partially offset by the disposal of items of property, plant and equipment of RMB11.0 million, primarily for disposal of containers.

In 2022, our net cash used in investing activities was RMB347.0 million, which was primarily due to purchases of items of property, plant and equipment of RMB620.5 million, primarily for purchasing containers, partially offset by the disposal of items of property, plant and equipment of RMB277.6 million, primarily for disposal of containers.

In 2021, our net cash used in investing activities was RMB395.2 million, which was primarily due to purchases of items of property, plant and equipment, primarily for purchasing containers of RMB695.9 million, partially offset by disposal of items of property, plant and equipment of RMB298.4 million, primarily for disposal of containers.

In 2020, our net cash used in investing activities was RMB31.6 million, which was primarily due to purchases of items of property, plant and equipment, primarily for purchasing containers and a vessel of RMB45.4 million and investment in an associate of RMB8.6 million, partially offset by disposal of items of property, plant and equipment of RMB25.9 million.

Net cash flows (used in)/from financing activities

In the four months ended April 30, 2023, our net cash flows used in financing activities was RMB22.8 million, which was primarily due to the deemed distribution arising from Reorganization of RMB9.7 million and the repayment of interest-bearing bank and other borrowings of RMB8.1 million.

In 2022, our net cash flows used in financing activities was RMB109.1 million, which was primarily due to the repayment of interest-bearing bank and other borrowings of RMB95.1 million and capital contribution upon the Reorganization of RMB61.8 million, partially offset by proceeds from interest-bearing bank and other borrowings of RMB52.3 million.

In 2021, our net cash generated from financing activities was RMB32.4 million, which was primarily due to proceeds from interest-bearing bank and other borrowings of RMB118.1 million, partially offset by repayment of interest-bearing bank and other borrowings of RMB72.2 million.

In 2020, our net cash used in financing activities was RMB3.3 million, which was primarily due to repayment of interest-bearing bank and other borrowings of RMB26.3 million and interest paid of RMB3.4 million, partially offset by proceeds from interest-bearing bank and other borrowings of RMB28.9 million.

Current Assets/Liabilities

The following table sets forth our current assets and current liabilities of the consolidated statements of financial position as of the respective dates indicated:

	As of December 31,			As of April 30,	As of July 31,
	2020	2021	2022	2023	2023
			(RMB in thousands)		
					(Unaudited)
Current assets					
Inventories	3,327	17,039	6,598	3,187	1,778
Assets held for sale	–	–	86,557	80,815	81,690
Trade receivables	117,312	311,287	149,140	119,445	96,724
Due from related parties	205	122	631	157	162
Prepayments and other receivables	14,458	317,792	49,276	39,941	39,949
Income tax recoverable	–	–	118	41	–
Financial assets at fair value through profit or loss	–	3,300	6,368	14,390	16,697
Cash and bank balance	50,669	190,006	339,991	152,615	139,405
Total current assets	185,971	839,546	638,679	410,591	376,405
Current liabilities					
Trade payables	143,613	453,118	336,390	260,268	238,261
Other payables and accruals	23,768	83,373	126,793	91,649	53,995
Due to related parties	297	3,097	9,711	–	42
Interest-bearing bank and other borrowings	30,625	67,097	27,514	26,629	25,932
Tax payable	3,592	16,567	1,263	2,285	1,182
Lease liabilities	2,845	2,915	3,399	4,345	4,462
Total current liabilities	204,740	626,167	505,070	385,176	323,874
Net current (liabilities)/assets	(18,769)	213,379	133,609	25,415	52,530

Our net current assets increased from RMB25.4 million as of April 30, 2023 to RMB52.5 million as of July 31, 2023, primarily due to a decrease in other payables and accruals of RMB37.7 million mainly as a result of the settlement of payables for purchase of containers and a decrease in trade payables of RMB22.0 million.

Our net current assets decreased from RMB133.6 million as of December 31, 2022 to RMB25.4 million as of April 30, 2023, primarily due to the decrease in cash and bank balances from RMB340.0 million as of December 31, 2022 to RMB152.6 million as of April 30, 2023 as a result of cash used for installment payments for the purchase of the two ultra large vessels in the four months ended April 30, 2023.

Our net current assets decreased from RMB213.4 million as of December 31, 2021 to RMB133.6 million as of December 31, 2022, primarily due to a decrease in the current portion of prepayments and other receivables from RMB317.8 million as of December 31, 2021 to RMB49.3 million as of December 31, 2022, as a result of a decrease in consideration receivables for disposal of containers, as such amount had been settled as of December 31, 2022.

We recorded net current assets of RMB213.4 million as of December 31, 2021, as compared to net current liabilities of RMB18.8 million as of December 31, 2020, primarily due to an increase of prepayments and other receivables of RMB303.3 million due to consideration receivables for disposal of containers, an increase in trade receivables of RMB194.0 million and an increase in cash and bank balance of RMB139.3 million. Such increase in current assets was partially offset by an increase of trade payables of RMB309.5 million.

Net Assets

Our net assets increased throughout the Track Record Period. Our net assets increased from RMB106.7 million as of December 31, 2020 to RMB482.0 million as of December 31, 2021, which was primarily attributable to our profit for the year in 2021 of RMB392.0 million. Our net assets increased further to RMB891.2 million as of December 31, 2022, which was primarily attributable to our profit for the year in 2022 of RMB386.3 million and exchange gain on translation of foreign operations of RMB85.9 million recognized as other comprehensive income in 2022. The increase in 2022 was partially offset by a deemed distribution arising from the Reorganization of RMB71.5 million in 2022. Our net assets increased from RMB891.2 million as of December 31, 2022 to RMB973.3 million as of April 30, 2023, which was mainly attributable to the profit generated during the period of RMB84.0 million.

DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, Plant and Equipment

Our property, plant and equipment primarily comprised of containers, container vessels, motor vehicles and decoration and improvement. The following table sets forth the net carrying amount of our property, plant and equipment as of the dates indicated:

	As of December 31,			As of April 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Containers	24,679	163,889	292,668	278,004
Container vessels	88,741	84,708	89,537	87,908
Motor vehicles	852	3,482	4,837	5,868
Furniture and fixtures	116	308	1,106	1,388
Electronic equipment	473	855	942	1,017
Decoration and improvement	1,135	7,179	11,248	13,520
Total	115,996	260,421	400,338	387,705

Our property, plant and equipment increased from RMB116.0 million as of December 31, 2020 to RMB260.4 million as of December 31, 2021, primarily due to an increase in containers to support cross-border seaborne transportation operated by us and an increase in decoration and improvement in relation to capitalized vessel overhaul.

Our property, plant and equipment increased from RMB260.4 million as of December 31, 2021 to RMB400.3 million as of December 31, 2022, primarily due to an increase in containers to further support our business expansion, in particular cross-border seaborne transportation operated by us.

Our property, plant and equipment decreased from RMB400.3 million as of December 31, 2022 to RMB387.7 million as of April 30, 2023, primarily due to the depreciation charged during the period.

We estimated and determined individually the recoverable amount of our property, plant and equipment as of April 30, 2023. Our Directors considered that no impairment was necessary as of the same date.

The following sets forth a reconciliation of the amount of containers at the beginning and end of each period during the Track Record Period:

	Year ended December 31,			Four months ended April 30,
	2020	**2021**	**2022**	**2023**
	(RMB in thousands)			
Opening balance of containers as of January 1	22,517	24,679	163,889	292,668
Addition during the year/period[1]	23,576	687,813	298,136	28
Transfer to assets held for sale	–	–	(124,126)	–
Disposal during the year/period:				
– Consideration received/receivables of containers disposed of	(25,848)	(544,568)	(34,257)	(4,340)
– Gain/loss on disposal of containers	7,835	18,286	(2,265)	(759)
Disposal during the year/period	(18,013)	(526,282)	(36,522)	(5,099)
Depreciation during the year/period	(1,987)	(21,770)	(23,818)	(7,888)
Exchange realignment	(1,414)	(551)	15,109	(1,705)
Closing balance of containers as of December 31 or April 30	24,679	163,889	292,668	278,004

Note:

(1) Represents the purchase cost of the containers i.e. consideration of the purchases.

The amount of our containers recognized as property, plant and equipment increased from RMB24.7 million as of December 31, 2020 to RMB163.9 million as of December 31, 2021 and further to RMB292.7 million as of December 31, 2022. The amount of our containers recognized as property, plant and equipment decreased to RMB278.0 million as of April 30, 2023. We have containers with different specifications and functions to provide different transportation services to satisfy our customers' needs and maintain our market position. Generally, we purchase and dispose of containers from time to time considering our customers' needs, logistics resource planning, and condition of the containers. We closely monitor container purchase price and lease price for logistics resource planning. In 2020, we disposed of long-used containers and purchased new containers for our operations. In 2021, in view of the increased demands 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 operation needs in the first half of 2022 and disposed of certain containers primarily in second half of 2022 and during the four months ended April 30, 2023 in anticipation of the decrease in level of shipping activities and for liquidity management. During the Track Record Period, the sellers of our containers were mainly container leasing companies and the purchasers of our containers were mainly logistics companies and shipping carriers, who were all Independent Third Parties. The following table sets forth a summary of our purchases and disposals of containers during the Track Record Period:

	Year ended December 31,			**Four months ended April 30,**
	2020	**2021**	**2022**	**2023**
Number of container purchased	1,170	17,002	9,816	1
Consideration of the purchases *(RMB in thousands)*	23,576	687,813	298,136	28
Number of container disposed of	1,224	13,307	1,226	214
Consideration of disposal *(RMB in thousands)*	25,848	544,568	34,257	4,340
Average holding period of containers disposed (days)	639	155	238	506

The average purchase price per container was approximately RMB20,000, RMB40,000, RMB30,000 and RMB28,000 in 2020, 2021 and 2022 and the four months ended April 30, 2023, respectively. The average disposal consideration per container was approximately RMB21,000, RMB41,000, RMB28,000 and RMB20,000 in 2020, 2021 and 2022 and the four months ended April 30, 2023, respectively. The purchase price and disposal consideration were negotiated with reference to the container market prices. The increases in average purchase price and disposal consideration in 2021 were mainly attributable to the increased demands of containers in view of the active shipping activities in the same year. The decreases in average purchase price and disposal consideration in 2022 and the four months ended April 30, 2023 were mainly attributable to the decrease in container market price. The purchase price and disposal consideration for each transaction were also affected by the type, age, brand, condition and location of containers. For example, the purchase price and disposal consideration for newer and branded containers were higher than those of aged and non-branded ones.

The average holding period of the containers disposed of by us in 2020, 2021 and 2022 and the four months ended April 30, 2023 was approximately 639 days, 155 days, 238 days and 506 days, respectively, up to the dates of the respective disposal. The average age of the container disposed of by us in 2020, 2021 and 2022 and the four months ended April 30, 2023 was approximately 12.9 years, 2.2 years, 3.3 years and 9.4 years, respectively. We had a shorter average holding period and shorter age for our containers disposed of in 2021 and 2022 as compared to 2020, which was mainly because of our risk management decision to sell certain containers that were purchased at high price in view of container price volatility. In December 2022, we also entered into an agreement pursuant to which we planned to sell the underlying 4,000 containers to an independent third-party buyer, before December 2023, so as to manage and optimize our liquidity. Accordingly, we transferred containers recognized as property, plant and equipment amounting to RMB124.1 million to assets held for sale as of December 31, 2022. We recorded impairment loss of assets held for sale amounting to RMB36.4 million in 2022 as market price of containers decreased. For details, see "—Assets Held for Sale." The average holding period of the containers disposed of in the four months ended April 30, 2023 was longer as we disposed of certain old containers.

Right-of-use Assets

Our right-of-use assets represent carrying amounts of long-term leased buildings for office spaces. The lease terms range from one year to three years.

Our right-of-use assets increased by 9.8% from RMB4.1 million as of December 31, 2020 to RMB4.5 million as of December 31, 2021 as we entered into new lease agreements in Shandong for our business expansion. Our right-of-use assets increased by 77.8% from RMB4.5 million as of December 31, 2021 to RMB8.0 million as of December 31, 2022 as we entered into new lease agreements in Shanghai for our business expansion. Our right-of-use assets increased by 23.8% from RMB8.0 million as of December 31, 2022 to RMB9.9 million as of December 31, 2022 primarily as we entered into new lease agreement for leasing of office for Shanghai Sijin.

We estimated and determined individually the recoverable amount of our right-of-use assets as of April 30, 2023. Our Directors considered that no impairment was necessary as of the same date.

Goodwill

We recorded goodwill primarily in connection with the acquisition of 75% of equity interest in Shanghai Sijin on April 30, 2019. For purpose of impairment testing, goodwill acquired through business combinations is allocated to Shanghai Sijin cash-generating unit and the recoverable amount of such has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by our management. The pre-tax discount rate applied to the cash flow projections was 14.3%, 14.6%, 14.7% and 14.7% in 2020, 2021 and 2022 and April 30, 2023, respectively. The growth rates used to estimate cash flows beyond the five-year period were 3.0%, 2.3%, 2.3% and 2.3% as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively. The carrying amount of goodwill allocated to Shanghai Sijin cash-generating unit remained stable at RMB8.6 million as of December 31, 2020, 2021 and 2022 and April 30, 2023.

Key Assumptions

Our management believes that any reasonably possible change in the key assumptions of the value-in-use calculation would not cause the carrying amount to exceed recoverable amount of the Shanghai Sijin cash-generating unit. The following assumptions were used in the value-in-use calculation of the Shanghai Sijin cash-generating unit during the Track Record Period:

- *Budgeted revenue.* The amounts of the budgeted sales are based on the historical data and management's expectation on the future market.

- *Budgeted gross margins.* The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year.

- *Long-term growth rate*. The basis used to determine the value assigned to the annual revenue growth rates is the annual revenue achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

- *Discount rate.* The discount rates are before tax and reflect specific risks relating to the relevant units.

The values assigned to the key assumptions on the annual revenue growth rates of Shanghai Sijin and pre-tax discount rates are consistent with external information sources.

	As of December 31,			As of April 30,
	2020	**2021**	**2022**	**2023**
Long-term growth rate	3.0%	2.3%	2.3%	2.3%
Discount rate	14.3%	14.6%	14.7%	14.7%

Sensitivity to Changes in Key Assumptions

Our management performed a sensitivity test by a decrease of 1% of long-term growth rate or an increase of 1% of pre-tax discount rate, with all other assumptions held constant. The impacts on the headroom of the recoverable amount of Shanghai Sijin's cash-generating unit is sets out as below:

	As of December 31,			As of April 30,
	2020	**2021**	**2022**	**2023**
	(RMB in thousands)			
Headroom	15,034	18,084	7,154	7,154
Impact by long-term growth rate	(2,021)	(2,087)	(1,595)	(1,595)
Impact by increasing pre-tax discount rate	(3,241)	(3,383)	(2,593)	(2,593)

The Goodwill had been tested for impairment as of April 30, 2023. Our Directors concluded that there was no significant change on the key assumptions adopted as compared with those used when completing the impairment assessment of the Goodwill as of December 31, 2022. Our Directors were of the opinion that there was no impairment provision as of April 30, 2023.

For more information on the assumptions used in the value-in-use calculation of the Shanghai Sijin cash-generating unit, please refer to Note 15 to the Accountants' Report in Appendix I to this document.

Assets Held for Sale

We recorded assets held for sale of RMB86.6 million and RMB80.8 million as of December 31, 2022 and April 30, 2023, which represents the amounts of containers that we intended to dispose of. In December 2022, we entered into an agreement pursuant to which we planned to sell the underlying 4,000 containers to an independent third-party buyer before December 2023. The carrying amounts of these containers for sale were written down to the fair values less expected costs to sell. Accordingly, we recorded impairment losses on assets held for sale of RMB36.5 million in 2022. Our assets held for sale decreased from RMB86.6 million as of December 31, 2022 to RMB80.8 million as of April 30, 2023, which was primarily due to the delivery of certain of the containers during the four months ended April 30, 2023.

Trade Receivables

Our trade receivables primarily represent the outstanding amounts receivable by us from our third-party customers. The credit period given to our customers was generally 30 to 60 days. The following table sets forth our trade receivables, net of impairment allowance, as of the dates indicated:

	As of December 31,			As of April 30,
	2020	**2021**	**2022**	**2023**
	(RMB in thousands)			
Trade receivables	122,490	317,660	164,979	140,503
Impairment	(5,178)	(6,373)	(15,839)	(21,058)
	117,312	311,287	149,140	119,445

Our trade receivables increased from RMB117.3 million as of December 31, 2020 to RMB311.3 million as of December 31, 2021, primarily due to the increases in our overall business volume and revenue. Our trade receivables decreased to RMB149.1 million as of December 31, 2022, which was primarily due to a decrease in business activities and freight rates in the last quarter of 2022. Our trade receivables decreased from RMB149.1 million as of December 31, 2022 to RMB119.4 million as of April 30, 2023, which was primarily due to the decreased business activities during the period.

The following table sets forth an aging analysis of our trade receivables at the end of each period of the Track Record Period, based on the invoice date and net of impairment allowance.

	As of December 31,			As of April 30,
	2020	2021	2022	2023[(1)]
	(RMB in thousands)			
Within one month	93,377	261,424	42,050	49,564
One to three months	24,940	51,464	58,631	9,981
Three to six months	700	775	30,185	34,232
Six to 12 months	143	262	34,027	19,789
Over one year	3,330	3,735	86	26,937
	122,490	317,660	164,979	140,503
Impairment	(5,178)	(6,373)	(15,839)	(21,058)
Total	117,312	311,287	149,140	119,445

Note:

(1) For the balance of our trade receivables as of April 30, 2023, we made impairment of RMB0.3 million, RMB0.2 million, RMB2.5 million, RMB4.3 million and RMB13.7 million for our trade receivables aged within one month, between one and three months, between three and six months, between six and 12 months and over one year, respectively. Except for the trade receivables due from Customer X, all other trade receivables aged over one year as of April 30, 2023 were fully provided.

For the provision for expected credit losses on trade receivables, the provision matrix is initially based on our Group's historical observed default rates. We will calibrate the matrix to adjust the historical credit loss experience with forward-looking information specific to the debtors and the economic environment. The historical observed default rates are updated at each reporting date and changes in the forward-looking estimates are analyzed.

We generally recovered trade receivables within three months. Since late 2022, the time required for confirming invoice amounts between us and our customers had become longer in view of the market conditions. Trade receivables aged over three months accounted for 3.4%, 1.5%, 39.0% and 57.6% of our gross trade receivables as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively. Trade receivables aged over one year accounted for 2.7%, 1.2%, 0.1% and 19.2% as of December 31, 2020, 2021, 2022 and April 30, 2023, respectively. Our trade receivables aged over three months increased significantly as of December 31, 2022 and that aged over one year increased significantly as of April 30, 2023, which was primarily related to one customer ("Customer X"). The trade receivable from Customer X amounted to RMB34.3 million and RMB34.0 million as of December 31, 2022 and April 30, 2023. As of the same dates, we had trade payables due to Customer X of RMB23.2 million and RMB22.8

million, respectively. Taking into account the respective amount of trade receivables due from Customer X and trade payables due to Customer X, we made provision for impairment loss of RMB11.1 million and RMB11.2 million as of December 31, 2022 and April 30, 2023, which represented the net exposure amount due from Customer X. Our Directors are of the view that sufficient provision had been made to trade receivables due from Customer X from a commercial perspective, taking into consideration (i) we have maintained continuous communication with Customer X and taken follow-up steps to reconcile and settle trade balance with it; (ii) to the best knowledge of our Directors, Customer X is still carrying on its normal business operations; (iii) we are in a position to withhold settling the trade payables due to Customer X pending Customer X's settlement of the trade receivables due to us; and (iv) subsequent to April 30, 2023 and up to July 31, 2023, we have received approximately RMB2.4 million of trade receivables from Customer X. The Joint Sponsors have discussed with the management of the Company and the Reporting Accountants with a view to understanding our basis of the provision for impairment from an accounting perspective, and nothing has come to the attention of the Joint Sponsors that would lead them to cast doubts on our basis of the provision for impairment as discussed above.

Excluding the trade receivable from Customer X which had been individually impaired as of December 31, 2022 and April 30, 2023, the increase in our gross trade receivables aged over three months from RMB4.8 million as of December 31, 2021 to RMB30.6 million as of December 31, 2022 and RMB46.9 million as of April 30, 2023 was primarily attributable to the delay in settlements from certain other customers. Such delay in settlements was due to the prolonged reconciliation and settlement process resulting from the market downturn since the fourth quarter of 2022. We monitored the outstanding balances on an ongoing basis. We seek to maintain strict control over our trade receivables and overdue balances are reviewed monthly by senior management. Up to July 31, 2023, we had recovered RMB2.4 million of the trade receivable from Customer X as of April 30, 2023; RMB22.2 million or 47.3% of the remaining trade receivables aged over three months as of April 30, 2023, was subsequently settled. We made full provision in respect of trade receivables that were aged over one year as of the end of each period during the Track Record Period. Except for the trade receivables due from Customer X that had been individually assessed, there was no material recoverability issue for our other trade receivables as of the end of each period during the Track Record Period. Our Directors consider sufficient provision for impairment of trade receivables from other customers had been made on a group basis. As our trade receivables relate to a large number of diversified customers and the amount of our top five trade receivables only accounted for 24.4% of total trade receivables as of April 30, 2023, there is no significant concentration of credit risk.

As of July 31, 2023, RMB79.0 million, or 66.2%, of our trade receivables as of April 30, 2023 had been subsequently settled. In particular, as of the same date, RMB45.6 million of our trade receivables aged within one month as of April 30, 2023 had been subsequently settled; RMB8.7 million of our trade receivables aged between one and three months as of April 30, 2023 had been subsequently settled; RMB21.3 million of our trade receivables aged between three and six months as of April 30, 2023 had been subsequently settled; RMB0.7 million of our trade receivables aged between six and 12 months as of April 30, 2023 had been subsequently settled; RMB2.7 million of our trade receivables aged over one year as of April 30, 2023 had been subsequently settled.

The table below sets forth the turnover days of our trade receivables for the periods indicated:

	Year ended December 31,			Four months ended April 30,
	2020	**2021**	**2022**	**2023**
Trade receivables turnover days[(1)]	51.1	18.6	18.2	35.5

Note:

(1) Trade receivables turnover days for a period equals the average of opening and closing trade receivables balance divided by revenue for the relevant period and multiplied by the number of days in the relevant period, being 365 days for 2020, 2021 and 2022 and 120 days for the four months ended April 30, 2023.

The trade receivables turnover days indicates the average time required for us to collect cash payments. Our trade receivables turnover days decreased from 51.1 days in 2020 to 18.6 days in 2021, as we enhanced our credit collection efforts in 2021 and exercised tighter credit control. Our trade receivables turnover days remained relatively stable at 18.6 days and 18.2 days in 2021 and 2022, respectively. Our trade receivables turnover days increased from 18.2 days in 2022 to 35.5 days in the four months ended April 30, 2023, primarily as we provided mainly cross-border logistics services provided by third parties during the period which had a longer credit period as compared to our self-operated cross-border logistics services and time charter services.

Prepayments and Other Receivables

Our prepayments and other receivables primarily consist of (i) prepayment, mainly paid for purchase of container vessels, vessel chartering, freight fees and other prepayments for providing cross-border logistics services; (ii) prepaid [**REDACTED**]; (iii) deposit, which represent deposit to third-party shipping companies, financing deposit paid to factoring companies and deposit for containers leasing; (iv) consideration receivables for disposal of containers; (v) dividend receivable; (vi) other tax recoverable; (vii) consideration receivables for disposal of an associate, BAL Bright, and a subsidiary, Jiangsu Xinboya; and (viii) others, which included employee contingency petty cash and expenses paid on behalf of our business partner. The following table sets forth our prepayments and other receivables as of the dates indicated:

	As of December 31,			As of April 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Prepayment	3,834	50,126	406,543	587,272
Prepaid [**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Deposit	6,364	16,579	9,145	9,617
Consideration receivables for disposal of containers	–	246,523	1,392	–
Dividend receivable	–	835	835	835
Other tax recoverable	1,674	185	482	635
Consideration receivables for disposal of an associate and a subsidiary(1)	–	9,956	–	–
Others	3,265	4,880	1,718	6,755
	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Impairment allowance	(551)	(1,472)	(849)	(1,190)
	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Note:

(1) The amount comprise (i) consideration receivable in relation to the disposal of 45% interest in BAL Bright in December 2021 amounting to RMB7.3 million and (ii) consideration receivable in relation to the disposal of Jiangsu Xinboya amounting to RMB2.7 million. We held 45% interest in BAL Bright before we disposed it. Given that we were not able to acquire majority stake in BAL Bright and with a view to realize our investment return, we disposed all our equity interest in BAL Bright to Skyfield Dragon Ltd. (the other equity owner of BAL Bright) in December 2021.

We continued to streamline our asset portfolio to gain vessel operation-related resources and capabilities. We have containers with different specifications and functions to provide different transportation services to satisfy our customers' needs and maintain our market position. In 2021, we purchased containers to support our cross-border logistics services in view of the diverse needs of our customers. In the same year, we disposed of certain containers as we assessed market conditions and the risk of container price trending downwards in a timely manner. We recorded consideration receivables for disposal of containers of RMB246.5 million as the consideration was not fully settled as of December 31, 2021.

To expand our fleet of vessels, we entered into agreements to order two first-hand ultra large container vessels, each with a capacity of 14,700 TEUs, in June 2022. These vessels will allow us to remain flexible when freight rates and vessel charter-in price fluctuate. The aggregate total contract price was US$281 million. Pursuant to the agreements, we shall settle the contract price by four installments. As of April 30, 2023, we had settled the first and second installments, representing 30% of the total contract price.

Our prepayments and other receivables increased from RMB[**REDACTED**] million as of December 31, 2020 to RMB[**REDACTED**] million as of December 31, 2021, primarily due to (i) consideration receivables for disposal of containers of RMB246.5 million, as we disposed of certain containers in 2021; and (ii) an increase in prepayment by RMB46.3 million paid for vessel chartering and freight fees.

Our prepayments and other receivables increased from RMB[**REDACTED**] million as of December 31, 2021 to RMB[**REDACTED**] million as of December 31, 2022, primarily due to the prepayment for purchase of container vessels of RMB377.2 million, partially offset by the decrease in consideration receivables for disposal of containers, as such amount had been settled as of December 31, 2022.

Our prepayments and other receivables increased from RMB[**REDACTED**] million as of December 31, 2022 to RMB[**REDACTED**] million as of April 30, 2023, primarily due to (i) an increase in non-current prepayments, which was due to the increase in prepayment paid for the purchase of the two first-hand ultra large container vessels; and (ii) an increase in prepaid [**REDACTED**].

As of July 31, 2023, RMB15.1 million, or 2.5%, of our prepayments and other receivables as of April 30, 2023 had been subsequently settled. The amount of prepayments and other receivables remained unsettled as of July 31, 2023 was mainly related to the prepayments for purchase of container vessels. Our prepayment in relation to the purchase of container vessels will be recognized as property, plant and equipment upon the deliveries of the two container vessels, which is expected to be in August and October 2025, respectively.

We estimated and determined individually the recoverable amount of our non-current prepayment for purchase of container vessels of RMB572.4 million as of April 30, 2023. Our Directors considered that no impairment was necessary as of the same date.

Inventories

Our inventories primarily consist of bunkers and consumables, such as lubricants. The following table sets forth our inventories as of the dates indicated:

	As of December 31,			As of April 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Bunkers[1]	–	15,919	4,403	997
Consumables and others	3,327	1,120	2,195	2,190
	3,327	17,039	6,598	3,187

Note:

(1) The bunkers balance as of December 31, 2020 was nil, as we did not provide self-operated cross-border seaborne transportation service in 2020.

Our inventories increased from RMB3.3 million as of December 31, 2020 to RMB17.0 million as of December 31, 2021, primarily due to the increase in bunkers, which was in line with our business growth and the increase of the number of chartered-in vessels as of December 31, 2021. Our inventories decreased from RMB17.0 million as of December 31, 2021 to RMB6.6 million as of December 31, 2022, which was primarily due to decreased number of vessels in operation as of December 31, 2022. Subsequent to December 31, 2022 and up to the Latest Practicable Date, after our last shipment through self-operated cross-border logistics services arrived at its destination in Mexico in December 2022, we did not provide any self-operated cross-border seaborne transportation services. The bunkers balance as of December 31, 2022 represented the bunker fuel remaining in the chartered-in vessel for the self-operated cross-border searborne transportation service, among which (i) RMB2.1 million was subsequently consumed in the return trip and has already recognized in our cost of sales in 2022 on accrual basis; and (ii) RMB2.3 million was compensated by the vessel owner when we returned the vessel in January 2023. Our inventories decreased from RMB6.6 million as of December 31, 2022 to RMB3.2 million as of April 30, 2023, which was primarily due to the decrease in bunkers. The bunkers balance as of April 30, 2023 represents bunker fuel remaining in the vessel we chartered out, which was acquired by us when we collected our vessel after providing time charter services.

As of July 31, 2023, RMB2.1 million, or 64.7%, of our inventories as of April 30, 2023 had been subsequently consumed. Our Directors consider that there was no recoverability issue in respect of our inventories as the bunkers and consumables are expected to be consumed or utilized in the provision of our time charter services in the ordinary course.

Financial Assets at Fair Value through Profit or Loss

The following table sets forth a breakdown of our Financial Assets at Fair Value through Profit or Loss as of the dates indicated:

	As of December 31,			As of April 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Unlisted equity investments	–	3,300	6,368	6,684
Wealth management products	–	–	–	7,706
Total	–	3,300	6,368	14,390

Our unlisted equity investment represents our investment in a limited partnership, which primarily invested in unlisted companies engaging in new energy businesses in Jiangsu province. Such investment was classified as Financial Assets at Fair Value through Profit or Loss measured with level 3 fair value measurement. We measured the fair value of the investment by using an asset-based approach, the significant unobservable inputs of which is adjusted carrying amount of net assets. As of December 31, 2021 and 2022 and April 30, 2023, we had Financial Assets at Fair Value through Profit or Loss of RMB3.3 million, RMB6.4 million and RMB6.7 million, respectively.

As of April 30, 2023, we had investment in wealth management products amounted to RMB7.7 million. Such investment was classified as Financial Assets at Fair Value through Profit or Loss measured with level 1 fair value measurement. From time to time, we may have higher liquidity than the level immediately required for our daily operation. To better utilize our cash surplus, we may make low-risk investments to earn returns, having considered (i) the working capital needs; (ii) our liquidity position; and (iii) the term and nature of the investments. The wealth management products we invested in were issued by reputable commercial bank in the PRC. The principal amount and investment return are unsecured, unguaranteed and carry at a variable rate of return based on the performance of underlying investment portfolio, which primarily include money market instruments and fixed-return securities such as bonds.

We have adopted internal control measures over our investments in wealth management products to ensure proper requisition, monitoring and exit of our investments in respect of surplus cash management. In general, we will only invest in products with mid to low-risk profile as defined under our investment policies. Our investments in wealth management products with amount no more than RMB5.0 million shall be reviewed and approved by the respective responsible personnel of finance of our group entities, and investments with amount exceeding RMB5.0 million and no more than RMB15.0 million shall be reviewed and approved by our chief executive officer and vice president responsible for investment, financing and capital operation. Any proposed investments with amount exceeding RMB15.0 million shall be approved by our Board (including our independent non-executive Directors). Such investments after the [**REDACTED**] will be subject to compliance with Chapter 14 of the Listing Rules. Our chief executive officer, Mr. Xu, has over 20 years of industry experience and obtained an executive master of business administration (EMBA) degree. Our vice president responsible for investment, financing and capital operation, Mr. Sun Hongyang, was accredited as a Chinese certified public accountant by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) and an Australian certified practicing accountant (CPA Aust.) by the CPA Australia with 22 years of experience in providing accounting and financial advice. Please see "Directors and Senior Management" for details of their respective management expertise.

In relation to the valuation of the financial assets classified within level 3 of the fair value measurement, we have implemented the following internal policies to ensure the reasonableness of fair value estimation on the level 3 financial assets, including: (i) reviewed the terms of the investment agreement; (ii) reviewed the fair value measurement assessment of the relevant investment presented by our finance personnel; and (iii) carefully considered all related information input. Our Directors are aware of the "Guidance Note on Directors' Duties in the Context of Valuations in Corporate Transactions" issued by the SFC on May 15, 2017. In this regard, our Directors confirmed that: (i) they had exercised due care, skill and diligence and supervised the delegates when making the investment decisions; and (ii) they had complied with the standard exercised by a reasonably diligent person with the knowledge, skill and experience that be reasonably expected of a Director carrying out the functions of the Director in relation to the company.

In relation to our fair value estimation of the level 3 financial assets, the Joint Sponsors have (i) discussed with the management of our Company with a view to understanding the material aspects of such financial assets; (ii) reviewed Note 38 to the Accountant's Report as set out in Appendix I to this Document; (iii) reviewed the key terms of the agreements relevant to such financial assets; and (iv) obtained an understanding from our Company and the Reporting Accountant on their work done in relation to such financial assets generally. Based on the above, nothing material has come to the Joint Sponsors' attention that would lead them to cast doubts on the sufficiency of our investigation and due diligence on such financial assets.

Further details of the fair value measurement of our financial assets, including the fair value hierarchy, the valuation methodology, significant unobservable inputs, and the sensitivity of to fair value measurement are disclosed in Note 38 to the Accountants' Report set out in Appendix I to this document, which was reported on by the Reporting Accountants in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountants' opinion on the historical financial information of our Group for the Track Record Period as a whole is set out on page I-1 of Appendix I to this document.

Trade Payables

Our trade payables primarily related to payments due to our suppliers including freight fees, port charges and bunker costs. Our trade payables increased from RMB143.6 million as of December 31, 2020, to RMB453.1 million as of December 31, 2021, reflecting the expansion of our business operations. Our trade payables decreased from RMB453.1 million as of December 31, 2021 to RMB336.4 million as of December 31, 2022, primarily due to a decrease in business activities and freight rates in the last quarter of 2022. Our trade payable further decreased to RMB260.3 million as of April 30, 2023, primarily due to the continuous decrease in business activities in 2023.

As of July 31, 2023, RMB68.5 million, or 26.3%, of our trade payables as of April 30, 2023 had been subsequently settled.

The following table sets forth the aging analysis of our trade payables based on the invoice dates as of the dates indicated:

	As of December 31,			As of April 30,
	2020	**2021**	**2022**	**2023**
	(RMB in thousands)			
Within one year	141,863	452,050	335,838	259,780
Over one year	1,750	1,068	552	488
Total	143,613	453,118	336,390	260,268

The following table sets forth our average trade payables turnover days for the periods indicated:

	Year ended December 31,			Four months ended April 30,
	2020	**2021**	**2022**	**2023**
Trade payables turnover days(1)	65.6	29.1	35.5	105.3

Note:

(1) Trade payables turnover days for a period equals the average of opening and closing trade payables balance divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period, being 365 days for 2020, 2021 and 2022 and 120 days for the four months ended April 30, 2023.

During the Track Record Period, the credit period granted to us would be around 30 to 60 days by our suppliers, from the date of invoice.

Our trade payables turnover days decreased from 65.6 days in 2020 to 29.1 days in 2021, primarily due to increased vessel chartering costs as a result of cross-border seaborne transportation operated by us, of which the vessel owners normally require us to pay in advance. In 2021, credit periods granted to us by our suppliers also decreased due to market conditions.

Our trade payables turnover days were 29.1 days in 2021 and 35.5 days in 2022, which was generally in line with the credit periods granted to us by our suppliers.

Our trade payables turnover days increased from 35.5 days in 2022 to 105.3 days for the four months ended April 30, 2023, primarily as we were in the process of confirming the invoice amounts with certain of our service providers, leading to a delay in settlement of our trade payables. Since late 2022, the time required for confirming invoice amounts between us and our suppliers had become longer in view of the market conditions.

Other Payables and Accruals

Other payables and accruals primarily consist of (i) payables for purchase of container; (ii) contract liabilities, which primarily reflect advanced service fees we received from customers for cross-border logistics services; (iii) payroll and welfare payables, which represents accrued salaries and bonus; (iv) **[REDACTED]** payable; (v) deposit, which represents deposit received from customers for cross-border logistics services; (vi) other contract deposit from counterparties to ensure their compliance with the relevant agreements; (vii) advances from customers for vessel chartering; (viii) advance receipts for disposal of containers; (ix) advance receipts for potential cooperation; and (x) amounts due to non-controlling shareholders of a subsidiary. The following table sets forth our other payables and accruals as of the dates indicated:

	As of December 31,			As of April 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Payables for purchase of container	–	6,084	45,432	34,053
Contract liabilities	7,769	39,265	19,585	9,164
Payroll and welfare payables	3,398	11,795	11,615	7,537
[**REDACTED**] payable	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Deposits	1,765	4,610	6,000	6,668
Consideration payables	99	2,582	–	–
Other tax payables	69	1,005	405	360
Other contract deposit[1]	5,400	5,250	5,960	4,582
Advances from customers for vessel chartering	–	7,781	12,395	5,749

	As of December 31,			As of April 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Advance receipts for disposal of containers	–	–	4,387	2,815
Advance receipts for potential cooperation[(2)]	–	–	10,099	–
Due to non-controlling shareholders of a subsidiary[(3)]	584	4,360	–	9,600
Others	4,684	641	3,724	2,679
Total	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

(1) This represents other contract deposit from counterparties to ensure their compliance with the relevant agreements.

(2) This represents a payment by Independent Third Party related to a potential cooperation to jointly purchase a vessel recorded as of December 31, 2022. Such advances was returned to the Independent Third Party in March 2023, as the cooperation did not proceed.

(3) This represents short-term and interest free advances from Mr. Fu Dazheng and Mr. Hong Yan, shareholders and directors of Shanghai Sijin, to Shanghai Sijin to support its operations. All advances from Mr. Fu Dazheng and Mr. Hong Yan will be settled prior to the [**REDACTED**].

The following table sets for the aging analysis of our contract liabilities as of the dates indicated:

	As of December 31,			As of April 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Within one month	6,783	38,397	18,777	8,855
One to three months	986	868	808	309
Total	7,769	39,265	19,585	9,164

Our contract liabilities are primarily affected by the shipping schedules as we may require our customers to make payment before arrival of shipment at the destination port. The significant increase in contract liabilities from RMB7.8 million as of December 31, 2020 to RMB39.3 million as of December 31, 2021 was primarily due to the increased business activities at the relevant time. As of December 31, 2022, our contract liabilities decreased to RMB19.6 million, which was attributable to the decreased business activities in December 2022 as compared to December 2021. Our contract liabilities decreased further to RMB9.2 million as of April 30, 2023, which was attributable to the decreased business activities in the four months ended April 30, 2023.

As of July 31, 2023, all of our contract liabilities as of April 30, 2023 had been subsequently recognized as revenue.

Our other payables and accruals increased from RMB[**REDACTED**] million as of December 31, 2020 to RMB[**REDACTED**] million as of December 31, 2021, primarily due to an increase in (i) contract liabilities by RMB31.5 million, reflecting an increase in advanced service fees from our customers in cross-border seaborne transportation operated by us; and (ii) payroll and welfare payables by RMB8.4 million as a result of the increased headcounts of our management and operation staff and an increase in average salaries and welfare of our staff.

Our other payables and accruals increased from RMB[**REDACTED**] million as of December 31, 2021 to RMB[**REDACTED**] million as of December 31, 2022, primarily due to (i) an increase in payables for purchase of container by RMB39.3 million as we purchased additional containers to support our services and streamline our assets portfolio and we had better payment terms in 2022 due to the change in market conditions; and (ii) an increase in [**REDACTED**] expenses payable, and (iii) a payment made by an Independent Third Party for a potential cooperation to jointly purchase a vessel of RMB10.1 million recorded under others of other payables and accruals, which was subsequently returned to the Independent Third Party in March 2023 as the cooperation did not proceed, partially offset by a decrease in contract liabilities by RMB19.7 million primarily due to the delivery of our services.

Our other payables and accruals decreased from RMB[**REDACTED**] million as of December 31, 2022 to RMB[**REDACTED**] million as of April 30, 2023, primarily due to (i) a decrease in payables for purchase of container by RMB11.4 million as we settled part of the fees during the period; (ii) a decrease in contract liabilities by RMB10.4 million as a result of decreased business activities; and (iii) a decrease in advance receipts for potential cooperation as we returned the aforesaid advance payment in relation to a potential cooperation to the Independent Third Party in March 2023.

INDEBTEDNESS

Our indebtedness consists of interest-bearing bank and other borrowings, amounts due to related parties and lease liabilities. The following table sets forth our indebtedness as of the dates indicated:

	As of December 31,			As of April 30,	As of July 31,
	2020	2021	2022	2023	2023
	(RMB in thousands)				
					(Unaudited)
Interest-bearing bank and other borrowings	44,153	90,040	66,930	62,825	59,741
Due to related parties[1]	265	3,096	9,711	–	–
Lease liabilities	4,430	5,031	7,989	9,399	8,710
Total	48,848	98,167	84,630	72,224	68,451

Note:

(1) Include only the non-trade related balance.

Interest-bearing bank and other borrowings

The following table sets forth the principal amounts of our interest-bearing bank and other borrowings as of the dates indicated:

	As of December 31,			As of April 30,	As of July 31,
	2020	2021	2022	2023	2023
	(RMB in thousands)				
					(Unaudited)
Current					
Bank loans – secured	12,000	10,004	10,000	10,000	10,000
Other loans – secured	–	5,095	–	–	–
Current portion of other long term loans – secured	18,625	51,998	17,514	16,629	15,932
	30,625	67,097	27,514	26,629	25,932
Non-current					
Other loans – secured	13,528	22,943	19,384	15,997	12,789
Other loans – unsecured	–	–	20,032	20,199	21,020
	13,528	22,943	39,416	36,196	33,809
Total	44,153	90,040	66,930	62,825	59,741

Our bank and other borrowings are generally repayable within two years. Our other borrowings primarily represent the extension of payment schedule with a container supplier in 2022, pursuant to which we were granted to extend the settlement of payables amounting to RMB19.7 million at a rate of 4.35% per annum due on December 31, 2024. For details, see Note 2 to the Accountants' Report in Appendix I to this document.

Our total outstanding bank and other borrowings increased from RMB44.2 million as of December 31, 2020 to RMB90.0 million as of December 31, 2021, primarily due to increasing financing activities as a result of our business expansion, which was used to support our working capital. Our total outstanding bank and other borrowings decreased from RMB90.0 million as of December 31, 2021 to RMB66.9 million as of December 31, 2022, and further decreased to RMB62.8 million as of April 30, 2023 and RMB59.7 million as of July 31, 2023 due to our repayment of other loans. We plan to obtain additional bank borrowings and other borrowings for working capital purposes.

As of December 31, 2020 and 2021, certain of our bank and other borrowings of up to RMB13.8 million and RMB80.0 million, respectively, were guaranteed by Mr. Xu and Ms. Li, our Controlling Shareholders. Such guarantees provided by our Controlling Shareholders had been fully released as of December 31, 2022.

As of December 31, 2020, certain of our bank and other borrowings of up to RMB5.0 million were guaranteed by Mr. Xu and Ms. Li, our Controlling Shareholders and an Independent Third Party, which is a financial guarantee company in Qingdao. As requested by our lender, we engaged this company to provide additional guarantee to our lender upon the payment of a guarantee fee. Such guarantees provided by our Controlling Shareholders and the Independent Third Party had been fully released as of December 31, 2021.

As of December 31, 2020, 2021 and 2022, April 30, 2023 and July 31, 2023, certain of our bank and other borrowings of up to RMB2.0 million, RMB10.0 million, RMB10.0 million, RMB10.0 million and RMB10.0 million, respectively, were guaranteed by Mr. Fu Dazheng, a director, legal representative, and substantial shareholder who is interested in 13.75% equity interest in Shanghai Sijin, his spouse and an Independent Third Party, being a public institution established by the Shanghai Municipal People's Government, mainly responsible for operating the Shanghai Policy Financing Guarantee Funds for SMEs, to support the development of small-and-medium-sized enterprises with growth potential and business operations in Shanghai. The loans, which were obtained by Shanghai Sijin, were guaranteed by Mr. Fu Dazheng (in the capacity of the legal representative of Shanghai Sijin) and his spouse. Among the borrowings of RMB10.0 million to Shanghai Sijin as of July 31, 2023, RMB4.0 million will mature in September 2023, RMB3.0 million will mature in November 2023 and the remaining RMB3.0 million will mature in March 2024. Our Directors expect that such loans will not be settled before [**REDACTED**] and the guarantees will be continued until the settlement of such loans. Please also refer to "Connected Transaction—Continuing Connected Transactions which are fully exempted from the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements" for more information.

We have mortgaged the container vessel with carrying amounts of RMB49.2 million, RMB51.7 million, RMB34.0 million, RMB33.5 million and RMB34.2 million to secure bank and other borrowings amounting to RMB23.3 million, RMB21.4 million RMB36.9 million, RMB32.6 million and RMB28.7 million as of December 31, 2020, 2021 and 2022, April 30, 2023 and July 31, 2023. We pledged receivables to secure bank and other borrowings amounting to RMB58.7 million as of December 31, 2021.

The effective interest rates of our bank borrowings were 3.8% to 4.6%, 3.7% to 3.9%, 3.7%, 3.7% and 3.7% per annum for the years ended December 31, 2020, 2021 and 2022, the four months ended April 30, 2023 and the seven months ended July 31, 2023, respectively. The effective interest rates of our other borrowings were 10.0%, 8.0% to 9.1%, 4.4% to 11.8%, 4.4% to 11.8% and 4.4% to 11.8% per annum for the years ended December 31, 2020, 2021 and 2022, the four months ended April 30, 2023 and the seven months ended July 31, 2023, respectively. These interest rates are within the range of market interest rates.

Our bank borrowing agreements contain standard terms, conditions and covenants that customary for commercial bank loans. Our Directors confirm that we did not experience any difficulty in obtaining bank borrowings, default in payment of bank borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

As of July 31, 2023, we did not have any unutilized banking facilities.

Due to related parties

As of December 31, 2020, 2021 and 2022, April 30, 2023 and July 31, 2023, our amount due to related parties of non-trade nature was RMB0.3 million, RMB3.1 million, RMB9.7 million, nil and nil, respectively. All the balances due to related parties which are non-trade in nature had been settled as of the Latest Practicable Date. See "—Related Party Transactions" in this section for more details of our due to related parties.

Lease liabilities

Lease liabilities represent the present value of outstanding lease payments under our lease agreements. The following table sets forth our lease liabilities as of the dates indicated:

	As of December 31,			As of April 30,	As of July 31,
	2020	2021	2022	2023	2023
	(RMB in thousands)				
					(Unaudited)
Current	2,845	2,915	3,399	4,345	4,462
Non-current	1,585	2,116	4,590	5,054	4,248
Total	4,430	5,031	7,989	9,399	8,710

As of December 31, 2020, 2021 and 2022, April 30, 2023 and July 31, 2023, our lease liabilities were RMB4.4 million, RMB5.0 million, RMB8.0 million, RMB9.4 million and RMB8.7 million, respectively. These lease liabilities primarily related to lease contracts of our office premises.

CONTINGENT LIABILITIES

As of July 31, 2023, being the latest practicable date for the purpose of the indebtedness statement, we did not have any material contingent liabilities, guarantees of any litigations or claims of material importance, pending or threatened against any member of our Company. Our Directors have confirmed that there has not been any material change in the contingent liabilities of our Company since July 31, 2023 and up to the Latest Practicable Date.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios during the Track Record Period:

	As of or for the year ended December 31,			As of or for the four months ended April 30, 2023
	2020	2021	2022	
Gross profit margin(1)	8.2%	10.9%	11.8%	25.1%
Adjusted EBITDA margin(2) (non-IFRS measure)	5.4%	10.6%	10.0%	22.7%
Current ratio(3)	0.9	1.3	1.3	1.1
Gearing ratio(4)	41.7%	19.3%	8.6%	6.5%
Return on equity(5)	29.1%	133.2%	56.3%	N/A(7)
Return on total assets(6)	9.7%	53.7%	30.0%	N/A(7)

Notes:

1. Gross profit margin is calculated by the gross profit divided by the revenue for the respective years/periods and multiplied by 100%.

2. Adjusted EBITDA margin (non-IFRS measure) is calculated based on adjusted EBITDA (non-IFRS measure) divided by revenue and multiplied by 100%.

3. Current ratio is calculated based on the current assets divided by current liabilities.

4. Gearing ratio is calculated based on the sum of interest-bearing borrowings and due to related parties divided by total equity for the respective years/periods and multiplied by 100%.

5. Return on equity is calculated by the profit for the year divided by the average of opening and closing total equity for the respective year and multiplied by 100%.

6. Return on total assets is calculated based on profit for the year divided by the average of opening and closing total assets for the respective year and multiplied by 100%.

7. The ratios are not presented for incomplete years.

Gross Profit Margin

See "—Discussion of Results of Operations" in this section for more details on our gross profit margin.

Adjusted EBITDA margin (non-IFRS measure)

Our adjusted EBITDA margin (non-IFRS measure) increased from 5.4% in 2020 to 10.6% in 2021, primarily reflecting (i) the increase in our profitability; (ii) the increase in depreciation of property, plant and equipment due to our purchase of vessels and containers; and (iii) the increase in our finance costs. Our adjusted EBITDA margin (non-IFRS measure) remained relatively stable at 10.6% and 10.0% in 2021 and 2022, respectively. Our adjusted EBITDA margin (non-IFRS measure) increased from 12.1% for the four months ended April 30, 2022 to 22.7% for the four months ended April 30, 2023, which was primarily due to the increased gross profit margin driven by the increased proportion of revenue generated from time charter service during the four months ended April 30, 2023. See "—Non-IFRS Measures" in this section for more details on our adjusted EBITDA (non-IFRS measure).

Current ratio

Our current ratio increased from 0.9 times as of December 31, 2020 to 1.3 times as of December 31, 2021, primarily reflecting the increases in trade receivables and cash and bank balance. Our current ratio remained stable at 1.3 times as of December 31, 2021 and 2022. Our current ratio decreased slightly to 1.1 as of April 30, 2023, primarily due to a decrease in cash and bank balances.

Gearing ratio

Our gearing ratio decreased from 41.7% as of December 31, 2020 to 19.3% as of December 31, 2021, primarily because of the significant increase in total equity as a result of the significant increase in our net profit for the year ended December 31, 2021. This further decreased to 8.6% as of December 31, 2022, due to the increase of our equity. Our gearing ratio decreased to 6.5% as of April 30, 2023, primarily due to the settlement of amounts due to related parties during the period.

Return on equity

Our return on equity increased from 29.1% in 2020 to 133.2% in 2021, primarily reflecting the increases in our profit. Our return on equity decreased from 133.2% in 2021 to 56.3% in 2022, primarily due to the increase of our equity.

Return on total assets

Our return on total assets increased from 9.7% in 2020 to 53.7% in 2021, primarily reflecting the increase in our profit. Our return on total assets decreased from 53.7% in 2021 to 30.0% in 2022, primarily due to the increase of our total assets.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital Expenditures

Our capital expenditures during the Track Record Period consist of additions to property, plant and equipment and intangible assets. Our capital expenditures amounted to RMB45.4 million, RMB696.0 million, RMB620.8 million, RMB31.0 million and RMB213.9 million in 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, respectively.

We expect our capital expenditures to increase in the future as our business continues to grow, which we will use primarily for plant and equipment. We expect to fund future capital expenditures through cash generated from operations, bank borrowings and the [**REDACTED**] from the [**REDACTED**].

Capital Commitments

Our capital commitments primarily relate to acquisition of container vessels and investment in associates contracted but not provided for and unlisted equity investment. Our capital commitments were RMB3.5 million, RMB2.6 million, RMB1,512.1 million and RMB1,365.4 million as of December 31, 2020, 2021 and 2022 and April 30, 2023.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into a number of transactions with related parties. As of December 31, 2020, 2021 and 2022 and April 30, 2023, amounts due to related parties was RMB0.3 million, RMB3.1 million and RMB9.7 million and nil, respectively, and amounts due from related parties was RMB0.2 million, RMB0.1 million and RMB0.6 million and RMB0.2 million, respectively. For detail of our related party transactions, see Note 36 to the Accountants' Report in Appendix I to this document. All loans, advances, non-trade balances due to and from the related parties are expected to be settled before the [**REDACTED**]. It is the view of our Directors that our transactions with related parties during the Track Record Period was conducted on an arm's length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our historical results or make our historical results not reflective of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet commitment or arrangements.

FINANCIAL RISKS DISCLOSURE

Interest Rate Risk

We are exposed to interest rate risk primarily in relation to our other borrowings set out in Note 27 of Appendix I to this document. We do not use derivative financial instruments to hedge interest rate risk. We manage our interest cost using fixed rate.

Foreign Currency Risk

We have minimal transactional currency exposure as most of our sales and purchases by operating units are denominated in the functional currencies of the relevant operating units. We manage the foreign currency risk by closely monitoring the movement of the foreign currency rates.

Credit Risk

We are exposed to credit risk in relation to our trade and notes receivables, financial assets included in prepayments and other receivables, amounts due from related parties, and cash and cash equivalents.

For trade receivables from third parties, we have a large number of customers and there was no concentration of credit risk as the customer base of our trade receivables is widely dispersed. In addition, we monitor the receivable balances on an ongoing basis. For financial assets included in prepayments and other receivables, we expect there is no significant credit risk since they have low historical default risk. As of December 31, 2020, 2021 and 2022 and April 30, 2023, we have assessed that the expected credit loss rate for trade related amounts due from related companies was low since the related companies have a strong capacity to meet the contractual cash flow obligation in the near term. We also expect the credit risk associated with non-trade related amounts due from related companies to be low, since they have a strong capacity to meet the contractual cash flow obligation in the near term. For cash and bank balance, we expect that there is no significant credit risk since they are deposited at state-owned banks and other medium or large-sized listed banks, and we do not expect that there will be any significant losses from the non-performance of these counterparties.

Liquidity Risk

Our objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing other borrowings. Cash flows are closely monitored on an ongoing basis.

COVID-19 OUTBREAK AND EFFECTS ON OUR BUSINESS

For details as to the impact of the COVID-19 pandemic on our business and financial performance, see "Business—Impact of the COVID-19 pandemic."

DIVIDENDS

As we are a holding company incorporated under the laws of the Cayman Islands, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. Any dividends we pay will be determined at the recommendation of our Board at its absolute discretion, taking into account factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. Our shareholders may approve, in a general meeting, any declaration of dividends, which must not exceed the amount recommended by our Board. Currently, we do not have a dividend policy or pre-determined dividend rate.

No dividends have been paid or declared by the Company since its date of incorporation.

WORKING CAPITAL SUFFICIENCY

Our Directors are of the opinion that, taking into account the estimated [**REDACTED**] from the [**REDACTED**] and the financial resources available to us, including expected cash generated from operating activities, we have sufficient working capital to meet our present needs and for the next 12 months from the date of this document.

DISTRIBUTABLE RESERVES

As of April 30, 2023, our Company did not have any distributable reserves.

[REDACTED] EXPENSES

Based on the [**REDACTED**] of HK$[**REDACTED**] per Share, the total estimated [**REDACTED**] expenses in relation to the [**REDACTED**] are RMB[**REDACTED**] million (HK$[**REDACTED**] million), assuming the [**REDACTED**] is not exercised, which constitute approximately [**REDACTED**]% of the gross [**REDACTED**]. Our total [**REDACTED**] expenses consist of (i) [**REDACTED**] expenses of RMB[**REDACTED**] million (HK$[**REDACTED**] million), and (ii) [**REDACTED**] expenses of RMB[**REDACTED**] million (HK$[**REDACTED**] million), including (a) fees payable to our legal advisors and Reporting Accountants of RMB[**REDACTED**] million (HK$[**REDACTED**] million) and (b) other fees and expenses, including sponsors fees and the fees of other professional parties, of RMB[**REDACTED**] million (HK$[**REDACTED**] million). During the Track Record Period, we incurred [**REDACTED**] expenses of RMB[**REDACTED**] million, of which RMB[**REDACTED**] million and RMB[**REDACTED**] million was recognized in our consolidated statements of profit or loss in 2022 and the four months ended April 30, 2023, respectively, and RMB[**REDACTED**] million was recognized as prepayments in our consolidated statements of financial position as of April 30, 2023, to be accounted for as a deduction from equity upon the [**REDACTED**]. Subsequent to the Track Record Period, we expect to further incur [**REDACTED**] expenses of RMB[**REDACTED**] million (HK$[**REDACTED**] million) prior to and upon completion of the [**REDACTED**], of which RMB[**REDACTED**] million (HK$[**REDACTED**] million) is expected to be recognized as expenses in our consolidated statements of profit or loss, and RMB[**REDACTED**] million (HK$[**REDACTED**] million) is expected to be accounted for as a deduction from equity upon the [**REDACTED**]. The [**REDACTED**] expenses to be incurred subsequent to the Track Record Period consist of (i) [**REDACTED**] expenses of RMB[**REDACTED**] million (HK$[**REDACTED**] million), and (ii) non-[**REDACTED**] expenses of RMB[**REDACTED**] million (HK$[**REDACTED**] million), including (a) fees payable to our legal advisors and Reporting Accountants of RMB[**REDACTED**] million (HK$[**REDACTED**] million) and (b) other fees and expenses of RMB[**REDACTED**] million (HK$[**REDACTED**] million). The [**REDACTED**] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

For details of the unaudited pro forma adjusted consolidated net tangible assets of the Group, see Appendix II to this document.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this document, there had been no material adverse change in our financial or trading position or prospects since April 30, 2023, being the end date of our latest audited financial statements, and there had been no event since April 30, 2023 that would materially affect the information shown in the Accountants' Report in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.