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## Application Proof of



# LC Logistics, Inc. 乐舱物流股份有限公司 (the “Company”)

*(Incorporated in the Cayman Islands with limited liability)*

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# LC Logistics, Inc. 乐舱物流股份有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the : [REDACTED] Shares (subject to the  
[REDACTED])  
Number of [REDACTED] : [REDACTED] Shares (subject to  
[REDACTED])  
Number of [REDACTED] : [REDACTED] Shares (subject to  
[REDACTED] and [REDACTED])  
Maximum [REDACTED] : HK\$[REDACTED] per [REDACTED],  
plus brokerage of 1.0%, SFC  
transaction levy of 0.0027%, Stock  
Exchange trading fee of 0.00565% and  
AFRC transaction levy of 0.00015%  
(payable in full on application in Hong  
Kong dollars and subject to refund)  
Nominal Value : US\$0.0001 per Share  
[REDACTED] : [REDACTED]

Joint Sponsors and [REDACTED]



[REDACTED]

[●]

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The [REDACTED] and [REDACTED] (for themselves and on behalf of the other [REDACTED]) may, with the consent of our Company, reduce the number of [REDACTED] and/or the indicative [REDACTED] range below that stated in this document (which is HK\$[REDACTED] to HK\$[REDACTED]) per [REDACTED] at any time prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, a notice of the reduction in the number of [REDACTED] and/or the indicative [REDACTED] range will be published on the websites of our Company at [www.burnasia.cn](http://www.burnasia.cn) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) not later than the morning of the last day for lodging applications under the [REDACTED]. Further details are set forth in "Structure of the [REDACTED] – Conditions of the [REDACTED]" and "How to Apply for [REDACTED]" in this document. If applications for [REDACTED] have been submitted prior to the day which is the last day for lodging applications under the [REDACTED], then such applications can be subsequently withdrawn if the number of [REDACTED] and/or the indicative [REDACTED] range is so reduced.

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

This document is available at the websites of our Company ([www.burnasia.cn](http://www.burnasia.cn)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). If you require a printed copy of this document, you may download and print from the website addresses above.

[REDACTED]

**IMPORTANT**

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[REDACTED]

**IMPORTANT**

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[REDACTED]



**EXPECTED TIMETABLE<sup>(1)</sup>**

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[REDACTED]

## EXPECTED TIMETABLE<sup>(1)</sup>

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[REDACTED]

## EXPECTED TIMETABLE<sup>(1)</sup>

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[REDACTED]

**EXPECTED TIMETABLE<sup>(1)</sup>**

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[REDACTED]

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## SUMMARY

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

## 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. With our integrated service capabilities, flexible business model and internet service system, we provide one-stop cross-border logistics solutions to customers. In the early stage of our development, we gradually set our footprints in key ports in China and established branches in cities on the east coast to carry out our cross-border logistics service business. Being customer-centric, we closely follow customer demand and industry trends to expand our business scope and geographical coverage regions.

We focus on cross-border logistics services as our primary business line, and have accumulated vessel operation-related resources and capabilities through our time charter operation to strengthen our ability to provide cross-border logistics services. Our services cover all major aspects of the cross-border logistics process, including cargo pick-up and sorting, customs clearance, cross-border seaborne transportation, warehouse transit and last-mile delivery. Cross-border seaborne transportation is the key step in the cross-border logistics process. We offer cross-border seaborne transportation services that are operated by us or provided by third parties, among which, our self-operated cross-border seaborne transportation provides us with stable and reliable transportation capacity. In addition, our non-wholly owned subsidiary, BAL Container Line, launched self-operated cross-border seaborne transportation services between China and the United States in 2021.

We have invested substantially to develop the portfolio of our self-owned vessels and containers to support our operation. As of December 31, 2022, we had purchased four second-hand container vessels to gain vessel operation-related resources and capabilities. In June 2022, we entered into an agreement to order two first-hand ultra large container vessels, each with a capacity of 14,700 TEUs, which vessels are able to operate on a variety of major routes given their good adaptability. Furthermore, in view of the diverse needs of our customers, we have containers with different specifications and functions to provide different transportation services. We have also established stable cooperative relationships with a number of overseas supply chain companies to integrate their warehousing resources and transportation network to support the warehouse transit and last-mile delivery process. Please see “Business—Our fleet of vessels,” “Business—Our containers” and “Risk Factors—We require a substantial amount of working capital to sustain our business” for details.

## SUMMARY

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With the rapid development of internet technology, cross-border logistics customers continue to have increasing demand for online services. In 2015, we established Lcang.com (樂艙網) as an internet service system for our cross-border seaborne transportation service and further enhanced our service coverage by acquiring Shanghai Sijin in 2019. Our internet service system is centered around our central interface containing Lcang logistics data and synchronizes data from our internal ERP system and external third parties, therefore capturing and fulfilling customers’ and suppliers’ needs. In addition, our internet service system has enhanced our operational efficiency and achieved dynamic, intelligent, real-time and automated allocation of resources in all aspects. Our internet service system also enables us to gain timely insight into customer and market demand, which help us improve service solutions, attract new customers continuously and grasp the future development trends in the industry.

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

As our business scale and service scope continue to grow, we recorded robust financial growth during the Track Record Period. Our revenue grew from RMB781.5 million in 2020 to RMB4,195.4 million in 2021, and further to RMB4,607.9 million in 2022. In addition, our gross profit increased from RMB63.8 million in 2020 to RMB456.8 million in 2021, and further to RMB545.3 million in 2022.

### OUR BUSINESS

With our integrated service capabilities, flexible business model and internet service system, we provide one-stop cross-border logistics solutions to customers. During the Track Record Period, we had two business lines, namely cross-border logistics services and time charter services.

We deliver cargo to customers’ assigned destinations under cross-border logistics services. Our cross-border logistics services cover the entire logistics process, including 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 service fees from customers including freight forwarding companies and cargo owners.



## SUMMARY

In addition, we hire out container vessels owned by us or chartered in from third parties under time charter services. We charge charter fees from customers, who are mainly shipping carriers. 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.

### Cross-border Logistics Services

We provide integrated logistics services to our customers throughout the entire logistics process to deliver their cargo to the destination countries. Customers only need to interact with us to enjoy the integrated cross-border logistics solutions created by us. Our workflow and services begin with logistics solutions consultancy. This first step is to analyze our customers’ needs and then formulate logistics solutions that suit their needs. Based on the services required by customers, we will then make shipping arrangements based on the accepted quotation and shipment availability. We pick up cargo from our customers’ warehouses or other designated locations and then provide temporary warehousing services at ports to temporarily store the cargo before shipment upon request. We provide standard customs clearance services in the country of origin. After customs clearance, the cargo will be loaded onto the container vessels and transported to the destination country. Upon arrival at the destination country, we provide customs clearance services, warehousing and other value-added services on our customers’ demand. If requested by our customers, we are able to provide local transportation to complete the last-mile delivery. Our services are provided either directly by us, which we commenced in 2021, or through third parties.

### *Our geographical coverage*

We have a global logistics network. Our service network covers key destinations in North America, Latin America, Europe, Australia, East Asia and Southeast Asia. Our cross-border seaborne transportation, the key step in cross-border logistics, is operated by ourselves or provided by third-party shipping carriers. We self-operate cross-border seaborne transportation services between China and overseas countries, and our main destinations are shown in the following map:



## SUMMARY

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In addition to the destinations shown above, during the Track Record Period, our self-operated seaborne transportation also reached Calgary, Edmonton, Halifax, Montreal, Saskatoon, Toronto and Winnipeg in Canada, Chicago, Dallas, Detroit, Memphis, Seattle, Oakland and the port of Hueneme in the United States, San Lorenzo in Honduras and Mexico City in Mexico.

We also arrange cross-border seaborne transportation provided by third-party shipping carriers, through which we established capabilities to cover a broader range of destinations across the globe. We will continue focusing on the provision of outbound cross-border logistics services from China to overseas countries.

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

## SUMMARY

### *Service volume and average service price*

We have accumulated transportation related resources to ensure stable and reliable cross-border logistics services are provided, either by us or third parties. We have established long-term and stable cooperative relationships with domestic and overseas third-party suppliers to provide logistics services, covering seaborne transportation, freight forwarding, ground transportation, warehousing, customs clearance and insurance procurement. We have a flexible business model. For cross-border seaborne transportation, the key step of cross-border logistics, we provide it either by ourselves or by third parties. Customers may select cross-border seaborne transportation operated by us or provided by third parties based on their shipment requirement. For services other than cross-border seaborne transportation, we conform our operations to uniform standards to ensure consistent quality. The table below sets forth a breakdown of our service volume and average price per TEU categorized by whether cross-border seaborne transportation is operated by us or provided by third parties:

	Year ended December 31,					
	2020		2021		2022	
	Service volume <i>TEUs</i>	Average price per TEU <i>RMB'000</i>	Service volume <i>TEUs</i>	Average price per TEU <i>RMB'000</i>	Service volume <i>TEUs</i>	Average price per TEU <i>RMB'000</i>
<b>Cross-border logistics services</b>						
– Cross-border seaborne transportation						
operated by us	–	–	68,244	28.4	100,050	26.0
Self-owned vessels	–	–	4,463	31.4	19,606	16.6
Chartered-in vessels	–	–	63,781	28.2	80,444	28.3
– Cross-border seaborne transportation provided by third parties	212,371	3.5	312,025	6.9	255,613	7.0
<b>Total</b>	<b>212,371</b>	<b>3.5</b>	<b>380,269</b>	<b>10.8</b>	<b>355,663</b>	<b>12.3</b>

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

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

## SUMMARY

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

We strategically allocated more resources to self-operated cross-border seaborne transportation in 2022 and operated shipping routes with higher market demand, i.e. the China-Asia and China-Americas routes. As a result, our service volume of cross-border seaborne transportation provided by third parties decreased from 312,025 TEUs in 2021 to 255,613 TEUs in 2022, while the service volume of self-operated cross-border seaborne transportation increased from 68,244 TEUs in 2021 to 100,050 TEUs in 2022.

Our overall average price per TEU increased significantly from approximately RMB3,500 in 2020 to approximately RMB10,800 in 2021. The significant increase was primarily due to the commencement of self-operated cross-border seaborne transportation in 2021. As we further expanded the self-operated cross-border seaborne transportation service in 2022 and increased its service volume, our overall average price per TEU increased slightly from approximately RMB10,800 in 2021 to RMB12,300 in 2022.

### *Results of operations*

The table below sets forth a summary of our revenue, gross profit and gross profit margin of our cross-border logistics services by type of vessels during the Track Record Period:

	2020		Year ended December 31, 2021			2022		
	Revenue	Gross profit	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
Cross-border logistics services								
Cross-border seaborne transportation operated by us								
– Self-owned vessels	–	–	140,014	50,152	35.8	324,824	140,317	43.2
– Chartered-in vessels	–	–	1,798,962	320,867	17.8	2,278,226	226,040	9.9
	–	–	1,938,976	371,019	19.1	2,603,050	366,357	14.1

## SUMMARY

	2020		Year ended December 31, 2021			2022		Gross profit margin
	Revenue	Gross profit	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	
Cross-border seaborne transportation provided by third parties	743,475	51,387	2,149,101	57,088	2.7	1,786,125	44,820	2.5
Cross-border logistics services-total/overall	743,475	51,387	4,088,077	428,107	10.5	4,389,175	411,177	9.4

*(RMB in thousands, except percentages)*

During the Track Record Period, our revenue was primarily generated from cross-border logistics services. Revenue generated from cross-border logistics services accounted for 95.1%, 97.4% and 95.3% of our revenue in 2020, 2021 and 2022, respectively. Our revenue from cross-border logistics services is primarily driven by service volume, which is dependent upon the availability of our resources and market demand, as well as the price per TEU, which is, in turn, dictated by market demand as we follow a market-based pricing model. As such, our revenue was affected by the changes in service volume and average price per TEU during the Track Record Period.

Our cross-border seaborne transportation, the key step of cross-border logistics, is either operated by ourselves or provided by third parties. In 2021, we commenced self-operated cross-border seaborne transportation, which allows us greater flexibility in resource planning and cost management. During the Track Record Period, the cross-border seaborne transportation provided by third parties accounted for 100.0%, 52.6% and 40.7% of our revenue from cross-border logistics services in 2020, 2021 and 2022, respectively; while the self-operated cross-border seaborne transportation accounted for nil, 47.4% and 59.3% of our revenue from cross-border logistics services in 2020, 2021 and 2022, respectively.

Our revenue from cross-border seaborne transportation provided by third parties increased from RMB743.5 million in 2020 to RMB2,149.1 million in 2021. The increase was primarily due to (i) an increase in service volume from 212,371 TEUs in 2020 to 312,025 TEUs in 2021; and (ii) a significant increase in the average price per TEU from RMB3,500 in 2020 to RMB6,900 in 2021. We commenced self-operated cross-border seaborne transportation utilizing both chartered-in vessels and self-owned vessels and generated revenue amounting to RMB1,939.0 million in 2021.

Our revenue from cross-border seaborne transportation provided by third parties decreased from RMB2,149.1 million in 2021 to RMB1,786.1 million in 2022. The decrease was primarily due to a decrease in service volume from 312,025 TEUs in 2021 to 255,613 TEUs in 2022, as a result of our strategy to allocate more resources to develop our self-operated cross-border seaborne transportation. Our revenue from self-operated cross-border seaborne transportation increased from RMB1,939.0 million in 2021 to RMB2,603.1 million in 2022. The increase was primarily due to an increase in service volume from 68,244 TEUs in 2021 to 100,050 TEUs in 2022.

## SUMMARY

During the Track Record Period, our gross profit margin was affected by the performance of 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. 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.

The gross profit margin of our cross-border logistics services increased from 6.9% in 2020 to 10.5% in 2021. The increase was primarily due to the commencement of self-operated cross-border seaborne transportation in 2021, which had a higher gross profit margin.

The gross profit margin of our cross-border logistics services decreased from 10.5% in 2021 to 9.4% in 2022. The decrease was primarily due to the decreased gross profit margin of our self-operated cross-border seaborne transportation service, mainly as a result of (i) an increase in vessel chartering costs for our self-operated services utilizing chartered-in vessels which was in line with prevailing market rates; (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.

See “Financial Information—Discussion of Results of Operations” for details.

### Time Charter Services

We offer time charter services to our customers by hiring out various types of vessels owned by us or chartered in from third parties. Time charter refers to the hiring of vessel and crew for a specific period of time. We are responsible for providing seaworthy vessels with valid operating licenses and insurance, qualified crew members (outsourced from qualified third parties) to operate the vessels and the required repair and maintenance, while our customers are responsible for paying rental fees, fuel expenses and port charges and determining their shipping route.

The table below sets forth a summary of our revenue, gross profit and gross profit margin of our time charter services by type of vessels during the Track Record Period:

	2020		Year ended December 31, 2021			2022			
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	<i>(RMB in thousands, except percentages)</i>								
<b>Time charter services</b>									
– Self-owned vessels	35,450	11,858	33.4	63,964	15,234	23.8	183,413	138,689	75.6
– Chartered-in vessels	–	–	–	43,352	13,496	31.1	35,341	(4,566)	(12.9)
<b>Time charter services total/overall</b>	<b>35,450</b>	<b>11,858</b>	<b>33.4</b>	<b>107,316</b>	<b>28,730</b>	<b>26.8</b>	<b>218,754</b>	<b>134,123</b>	<b>61.3</b>

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## SUMMARY

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During the Track Record Period, time charter services, to a lesser extent, also contributed to our revenue. Revenue generated from time charter services accounted for 4.5%, 2.6% and 4.7% of our revenue in 2020, 2021 and 2022, respectively, which is primarily affected by the number of vessels we chartered out, the charter periods and the charter rates.

Our gross profit margin of time charter services decreased from 33.4% in 2020 to 26.8% in 2021, primarily because the vessel chartering fees charged to our customers were fixed by the long-term agreements we entered in 2020, and our costs for such vessels increased in 2021 due to market conditions.

Our gross profit margin of time charter services increased from 26.8% in 2021 to 61.3% in 2022, primarily due to increased average daily charter rates pursuant to the new contracts signed in 2022, which was in line with the higher prevailing market rates in 2022 than that of 2021. 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.

In 2020, 2021 and 2022, we recorded net profit for the year of RMB27.5 million, RMB392.0 million and RMB386.3 million, respectively. The significant increase in net profit from 2020 to 2021 was primarily driven by (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 gross profit margin, 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. Our net profit in 2022 decreased slightly as compared to that in 2021. The decrease was primarily due to (i) an increase in administrative expenses in 2022, mainly as a result of the incurrence of [REDACTED], and (ii) the impairment losses on assets held for sale recorded in 2022 relating to our containers to be disposed of. See “Financial Information—Description of Selected Items from Consolidated Statements of Profit or Loss” for details.

### **Our Vessels**

We generally 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. In 2020, we deployed all of our self-owned vessels under time charter services. In 2021, we commenced cross-border seaborne transportation operated by us. We then deployed two of our self-owned vessels under cross-border logistics services in 2021, and three of our self-owned vessels under cross-border logistics services in 2022. For chartered-in vessels, our decisions of deployment were made based on the volume of customer demand for cross-border logistics and the level of vessel chartering price. We did not charter in vessels in 2020. In 2021, we chartered in vessels mainly to support our cross-border logistics services in view of the increased market demand. We chartered in 14 vessels in 2021, among which 12 vessels were deployed under cross-border logistics services and two vessel was deployed under time charter services. In 2022, we chartered in more vessels to support our business expansion due to the further increased market demand in the first half of 2022. The number of vessels that completed cross-border logistics services increased from 8 in 2021 to 17 in 2022. See “Business—Our Services—Cross-border Logistics Services—Our fleet of vessels” for details.



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## SUMMARY

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

	For the year ended December 31,		
	2020	2021	2022
Self-owned vessels <sup>(1)</sup>	78.8%	96.1%	92.5%
Chartered-in vessels <sup>(2)</sup>	–	99.5%	96.4%

*Notes:*

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

We did not have chartered-in vessels in 2020. As such, the relevant utilization rate was nil. The utilization rate of our self-owned vessels in 2020 was lower than that in 2021 and 2022, primarily because the gap periods between the charters were relatively longer as a result of lower demand in our time charter services in 2020. The utilization rates of our self-owned and chartered-in vessels in 2022 were also lower than those in 2021, respectively, primarily due to necessary repair and maintenance work performed on certain self-owned and chartered-in vessels in 2022.

We manage our fleet of vessels to support the effectiveness and expansion of our business operation. We supervise our self-owned vessels to ensure that they are seaworthy and in compliance with the relevant laws and regulations. We have adopted policies and protocols with respect to the repair and maintenance of vessels to ensure that they are in seaworthy condition. See “Risk Factors—We may face unexpected costs for the maintenance of our logistics assets” for risks related to our vessel management.

In order to further improve our operational efficiency and maintain shipping capabilities, we entered into two shipbuilding agreements to order two first-hand ultra large container vessels, each with a capacity of 14,700 TEUs. These two vessels are expected to be delivered around 2025.

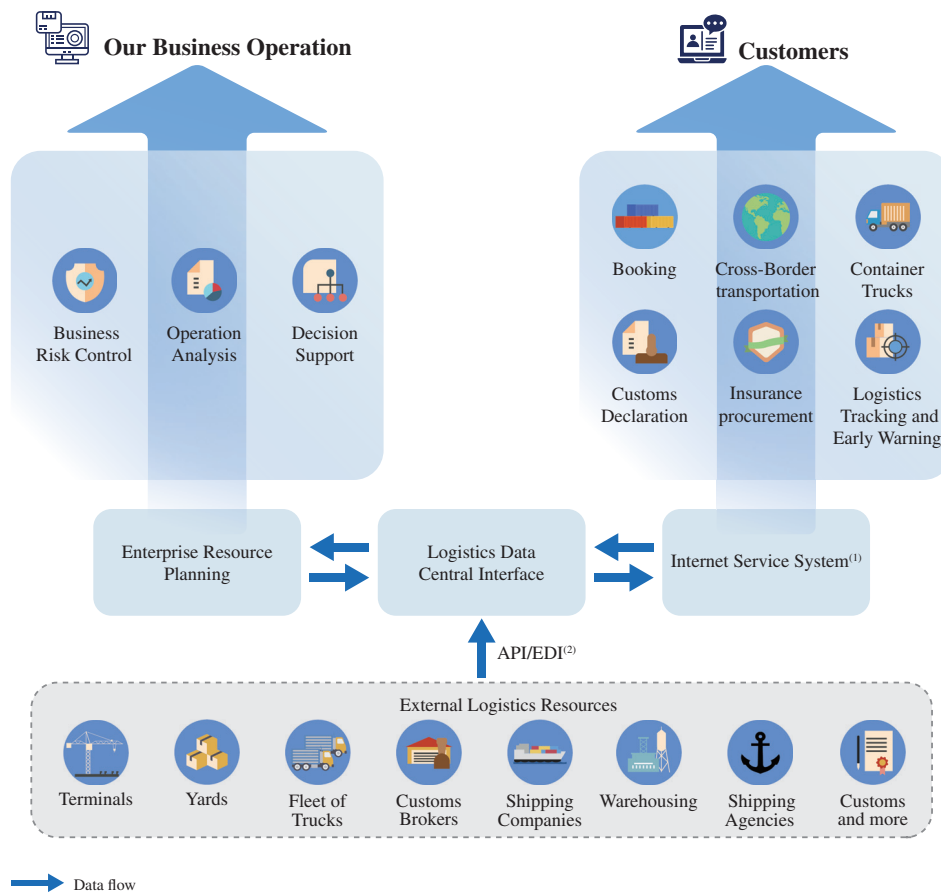


## SUMMARY

### OUR INTERNET SERVICE SYSTEM

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

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



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## SUMMARY

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*Notes:*

- (1) Our customers connect to our internet service system through Lcang.com (樂艙網), the website of Sijin International (絲金國際) and Lcang WeChat mini-app (樂艙微信小程序).
- (2) EDI (electronic data interchange) integrates data from external physical documents and processes the information into electronic format. API (application program interface) facilitates data flow in real time using cloud-based technology.

As a digitized system, our internet service system transforms the traditionally offline paper records and communication methods into online data for easier access and analysis. This helps us standardize our services, enhance our operational efficiency and reduce our labor costs. Through our internet service system, our customer services staff are able to communicate with our customers and respond to their enquiries timely. For the year ended December 31, 2022, more than 85.0% of our transactions in terms of order volume were completed or served by our internet service system.

### OUR COMPETITIVE STRENGTHS

We believe the following strengths contribute to our growth and success:

- An industry player with full capacity to integrate industry resources and provide integrated cross-border logistics solutions;
- Diversified service portfolio and flexible business model to ensure operational efficiency and optimized customer experiences;
- Broad internet service capabilities to provide customers with accessible and convenient service experiences;
- A steadily growing number of customers and new sources of customers in line with industry trend; and
- Experienced management team.

### MARKET POSITION AND COMPETITIVE LANDSCAPE OF OUR GROUP

The global market of cross-border logistics services has experienced significant growth in the past few years. Driven by the swift global expansion of Chinese brands and improved efficiency through digitalized logistics arrangements, the cross-border logistics service market in China has also developed rapidly. According to Frost & Sullivan, the cross-border logistics service market in the PRC is a highly competitive market that is both capital intensive and highly fragmented, with the top 15 service providers holding only an aggregate 12.2% market share in terms of revenue in 2022, among which we ranked 15th with an approximately 0.2% market share. The competition in the market is based primarily on supply and demand and we compete for vessels and charter contracts on the basis of price, vessel location, size, age, the condition of the vessel and our market reputation. In the highly fragmented markets in which we operate, competitors with greater resources may be able to offer lower charter rates and higher quality vessels than we are able to offer.

## SUMMARY

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### OUR STRATEGIES

We plan to implement the following strategies:

- Increase investments in strategic resources to deepen our global business footprint;
- Focus on cross-border e-commerce customers and further integrate cross-border logistics resources;
- Upgrade our integrated internet service system and enhance our resource integration capabilities; and
- Improve our ability to acquire new customers and expand our customer base.

### INSURANCE

As a logistics service provider, we face a number of inherent risks in our ordinary course of business, such as cargo loss or damage, property loss, vehicle collision and business interruptions due to natural disasters, political unrest, hostilities or otherwise. We maintain insurance policies which cover, among others, containers, third-party liability, transportation risks, property loss and damage and workers’ compensation for injury and death. In addition, we maintain charterer liability insurance to cover claims against us from our customers on the goods being transported where we are liable for the damage or loss to such goods, as we are generally not liable for any damage or loss to our customers’ goods unless such damage or loss is caused by our negligence. We also maintain different types of insurance, including protection and indemnity insurance, charterer comprehensive insurance, hull insurance, pirate and ransom insurance and loss of hire insurance, to cover potential losses on our self-owned and chartered-in vessels. Our Directors believe that our insurance coverage is adequate and consistent with industry norm, having regard to our current operations and the standard commercial practice of the industry. See “Business—Insurance” for details.

## SUMMARY

### SUMMARY OF FINANCIAL INFORMATION

#### Selected items of consolidated statements of profit or loss

The table below sets forth a summary of our consolidated statement of profit and loss for the years indicated:

	<b>Year ended December 31,</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>(RMB in thousands)</i>		
Revenue	781,524	4,195,393	4,607,929
Cost of sales	(717,738)	(3,738,556)	(4,062,629)
Gross profit	63,786	456,837	545,300
Profit before tax	30,105	407,723	395,383
Profit for the year	27,540	392,038	386,307
Attributable to:			
Owners of the parent	25,521	384,085	380,944
Non-controlling interests	2,019	7,953	5,363

#### *Non-IFRS measures*

We define adjusted net profit (non-IFRS measure) as profit for the year adjusted by adding back [REDACTED]. We exclude such item because [REDACTED] is related to the [REDACTED] of our Company and one-off in nature. We define adjusted EBITDA (non-IFRS measure) as profit for the year adjusted by deducting interest income, and adding back (i) [REDACTED], which is related to the [REDACTED] of our Company and one-off in nature; (ii) finance costs; (iii) income tax expenses, and (iv) depreciation and amortization, which are non-cash in nature. We believe such non-IFRS measures facilitate the evaluation of our operating performance without the impact of its capital structure, tax impact and non-cash expenses from period to period. 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. In 2020, 2021 and 2022, our adjusted net profit was [REDACTED] million, [REDACTED] million and [REDACTED] million, respectively. In 2020, 2021 and 2022, our adjusted EBITDA was RMB42.0 million, RMB455.8 million and RMB460.0 million, respectively. For details of these non-IFRS measures, see “Financial Information—Non-IFRS measures” in this document.

## SUMMARY

### Selected items of consolidated statements of financial position

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

	As of December 31,		
	2020	2021	2022
	<i>(RMB in thousands)</i>		
<b>Current assets</b>	185,971	839,546	638,679
<b>Non-current assets</b>	140,590	294,040	801,828
<b>Current liabilities</b>	204,740	626,167	505,070
<b>Non-current liabilities</b>	15,113	25,454	44,258
<b>Net current (liabilities)/assets</b>	(18,769)	213,379	133,609
<b>Net assets</b>	106,708	481,965	891,179
<b>Non-controlling interests</b>	7,688	5,992	12,270

We recorded net current assets of RMB213.4 million and RMB133.6 million as of December 31, 2021 and 2022, respectively. We recorded net current liabilities of RMB18.8 million as of December 31, 2020.

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. The change was primarily due to an increase in prepayments and other receivables of RMB303.3 million, resulting from receivables of consideration from our disposal of containers, an increase in trade receivables of RMB194.0 million and an increase in cash and bank balance of RMB139.3 million.

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.

See “Financial Information—Liquidity and Capital Resources—Current Assets/Liabilities” for details.

## SUMMARY

### Selected items of consolidated statements of cash flow

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

	<b>Years ended December 31,</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>(RMB in thousands)</i>		
Net cash flows from operating activities	50,908	504,943	585,347
Net cash flows used in investing activities	(31,578)	(395,215)	(346,991)
Net cash flows (used in)/from financing activities	<u>(3,282)</u>	<u>32,402</u>	<u>(109,121)</u>
<b>Net increase in cash and cash equivalents</b>	16,048	142,130	129,235
Cash and cash equivalents at beginning of year	32,147	50,669	190,005
Effect of foreign exchange rate changes, net	<u>2,474</u>	<u>(2,794)</u>	<u>20,751</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>50,669</u></u>	<u><u>190,005</u></u>	<u><u>339,991</u></u>

See “Financial Information – Liquidity and Capital Resources.”

### 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 a pre-determined dividend rate.

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

## SUMMARY

### KEY FINANCIAL RATIOS

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

	As of and for the year ended		
	December 31,		
	2020	2021	2022
Gross profit margin <sup>(1)</sup>	8.2%	10.9%	11.8%
Adjusted EBITDA margin <sup>(2)</sup> (non-IFRS measure)	5.4%	10.6%	10.0%
Current ratio <sup>(3)</sup>	0.9	1.3	1.3
Gearing ratio <sup>(4)</sup>	41.7%	19.3%	8.6%
Return on equity <sup>(5)</sup>	29.1%	133.2%	56.3%
Return on total assets <sup>(6)</sup>	9.7%	53.7%	30.0%

*Notes:*

1. Gross profit margin is calculated by the gross profit divided by the revenue for the respective year 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 divided by total equity for the respective year and multiplied by 100.0%.
5. Return on equity is calculated by the profit for the year divided by the average of opening and closing of total equity for the respective year and multiplied by 100%.
6. Return on total assets is calculated based on profit divided by the average of opening and closing of total assets for the respective year and multiplied by 100%.

From 2020 to 2021, our return on equity and return on total assets increased from 29.1% to 133.2% and from 9.7% to 53.7%, respectively. The increases were primarily due to the increase in our profit. See “Financial Information – Key Financial Ratios.”

### SUMMARY OF MATERIAL RISK FACTORS

We believe there are certain risks and uncertainties involved in investing in our Shares, some of which are beyond our control. See “Risk Factors” for details of our risk factors. Some of the major risks we face include (i) the cyclical nature of the cross-border logistics service industry could have a material and adverse effect on our business and results of operations; (ii) a slowdown or adverse development in regional or global economy may adversely affect the demand for our services and our business in general; (iii) we may not sustain our historical growth; (iv) we require a substantial amount of working capital and financial resources to sustain our business; (v) our prospects may be adversely affected by COVID-19 or other

## SUMMARY

adverse public health developments; (vi) we face intense competition which could adversely affect our results of operations and market share; (vii) the success of our business depends on our customers’ business performance and their continuing demand for our services; (viii) our business is subject to complex treaties, local laws and regulations; (ix) if there is a decrease in the level of exports of goods in the markets where we operate, our business, results of operations and prospects may be materially and adversely affected; (x) if we are unable to manage the capacity and/or terms of our chartered-in or chartered-out vessels effectively, our financial performance and results of operations may be adversely affected; and (xi) we could be adversely affected as a result of any sales we make to certain countries that are, or become subject to, sanctions administered by the United States, the European Union, the United Kingdom, the United Nations, Australia and other relevant sanctions authorities.

### [REDACTED] STATISTICS

The statistics in the following table are based on the assumptions that the [REDACTED] has been completed and [REDACTED] new Shares are issued pursuant to the [REDACTED]:

	Based on an [REDACTED] of HK\$[REDACTED]	Based on an [REDACTED] of HK\$[REDACTED]
Market capitalization of our Shares <sup>(1)</sup> Unaudited pro forma adjusted net tangible assets per Share <sup>(2)</sup>	HK\$[REDACTED] million	HK\$[REDACTED] million
	HK\$[REDACTED]	HK\$[REDACTED]

*Notes:*

- (1) The calculation of the market capitalization of our Shares is based on the assumption that [REDACTED] Shares will be in issue immediately following the completion of the [REDACTED], without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] or any options that may be granted under the [REDACTED] Share Scheme.
- (2) The unaudited pro forma adjusted net tangible assets per Share is calculated based on [REDACTED] Shares in issue immediately following the completion of the [REDACTED] and does not take into account of any Shares which may be issued upon the exercise of the [REDACTED]. The unaudited pro forma adjusted net tangible assets per Share amounts are converted into Hong Kong dollars at an exchange rate of HK\$1.0 to RMB[0.8821].

### [REDACTED] EXPENSES

Based on the [REDACTED] of HK\$[REDACTED] per Share, the total estimated [REDACTED] in relation to the [REDACTED] is RMB[REDACTED] million (HK\$[REDACTED] million), assuming the [REDACTED] is not exercised, which constitute approximately [REDACTED]% of the gross [REDACTED]. Our total [REDACTED] 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,



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## SUMMARY

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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] of RMB[REDACTED] million, of which RMB[REDACTED] million was recognized in our consolidated statements of profit or loss, and RMB[REDACTED] million was recognized as prepayments in our consolidated statements of financial position as of December 31, 2022 to be accounted for as a deduction from equity upon the [REDACTED]. Subsequent to the Track Record Period, we expect to further incur [REDACTED] 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] to be incurred subsequent to the Track Record Period 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 of RMB[REDACTED] million (HK\$[REDACTED] million). The [REDACTED] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

[REDACTED]

We estimate that we will receive [REDACTED] of approximately HK\$[REDACTED] million from the [REDACTED], after deducting the estimated [REDACTED] and other estimated [REDACTED] payable by us in connection with the [REDACTED], assuming that an [REDACTED] of HK\$[REDACTED] per Share (being the [REDACTED] of the indicative [REDACTED] range stated in this document) and assuming that the [REDACTED] is not exercised.

We intend to use the [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- Approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used for setting up logistics facilities, including warehouses and container yards, purchasing trucks and investing in software systems for warehouse, order and transportation management in the next two years to enhance our integrated cross-border logistics services, particularly targeting cross-border e-commerce merchants, and to meet the needs of our expanding business operation.
- Approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used for expanding our business coverage and global network. We plan to expand our integrated cross-border logistics service network by establishing branches and joint venture companies in key port cities and inland cities with active e-commerce business operation in other countries or regions we deem to have high growth potential by renting office space and recruiting employees. In particular, in the next

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## SUMMARY

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two years, we plan to invest (i) HK\$[REDACTED] million in expanding the business operations of our subsidiaries in Los Angeles, the United States; (ii) HK\$[REDACTED] million in establishing a joint venture company in Manzanillo, Mexico; (iii) HK\$[REDACTED] million in the business operation of our subsidiary in Melbourne, Australia, (iv) HK\$[REDACTED] million in the business operation of our subsidiary in Singapore; and (v) HK\$[REDACTED] million in the business operation of our subsidiary in Ho Chi Minh City, Vietnam.

- Approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used for adopting digital technologies and upgrading internet service systems in providing integrated cross-border logistics services.
- Approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used for strategic investments and/or acquisitions in businesses or assets that complement our business, although as of the Latest Practicable Date, we had no commitments or agreements to enter into any acquisitions or investments.
- Approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used for establishing an non-truck operating carrier platform, which connects customers in need of truck transportation service provider to truck owners with such transportation capacity. Through this platform, we seek to integrate available truck resource in the market and attract potential customers who may need cross-border logistics services to further expand our customer base and promote our services.
- Approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used for general corporate purposes and working capital needs.

See “Future Plans and [REDACTED].”

## OUR CONTROLLING SHAREHOLDERS

Immediately upon completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] or any options that may be granted under the [REDACTED] Share Scheme), our ultimate Controlling Shareholders, namely Mr. Xu, Ms. Li and Ms. Liu, by virtue of the Acting in Concert Deed, will be entitled to exercise voting rights of approximately [REDACTED]% of the total issued share capital of our Company through the investment holding companies controlled by them. Accordingly, Mr. Xu, Ms. Li and Ms. Liu and the investment holding companies controlled by them, namely Lecang Boundless, Lecang Fantasy, Grand Sailing, Lecang Altitude, Peace Seaworld, Lecang Shining, Spring Wealth, Lecang Flourishing and Glorious Sailing, constitute a group of our Controlling Shareholders under the Listing Rules.

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## SUMMARY

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Pursuant to the Acting in Concert Deed, each of our ultimate Controlling Shareholders (being Mr. Xu, Ms. Li and Ms. Liu) had agreed and confirmed, among other things, that from the date they became the registered owners, the ultimate controllers and/or beneficial owners of the equity interests in our Group to the date when any of them ceases to be our Controlling Shareholder, they had been and would continue to be parties acting in concert. For details, see “Relationship with Our Controlling Shareholders—Acting in Concert Deeds.”

### **[REDACTED] INVESTMENTS**

We have attracted certain [REDACTED] Investors to raise funds for the development of our business. For further details of the identity and background of the [REDACTED] Investors, see “History, Reorganization and Corporate Structure—[REDACTED] Investments—Information Relating to our [REDACTED] Investors.”

### **RECENT DEVELOPMENT**

#### **Business Development**

Since February 2023, Shandong Lcang, a subsidiary of our Company, has entered into import agency agreements with clients in China to provide import agency services. Pursuant to the agreements, Shandong Lcang shall be engaged as the clients’ import agent to procure goods on behalf of the clients from foreign suppliers and provide logistics services related to the import process. The import agency agreements have a term of one year. For each import of goods, the clients shall enter into a standalone import agency agreement with Shandong Lcang that sets forth the details of such import and pay Shandong Lcang an import agency fee calculated as an agreed-upon percentage of the total price of the goods to be imported. Going forward, we may consider extending this new business by incorporating our seaborne transportation services as well, so that we will handle more aspects of the import process and generate synergies for both our client and us. See “Business—Recent Market Changes and Certain Management Estimate—Launch of Import Agency Services and Supply Chain Solutions” for details.

#### **Recent Market Changes and Certain Management Estimate**

Our main business line, cross-border logistics services, is susceptible to prevailing market conditions. From 2020 to 2021, freight rates of global cross-border logistics service increased significantly. The significant increase was primarily due to insufficient shipping capacity in cross-border logistics industry and low efficiency of port operation, resulted from the COVID-19 pandemic and the relevant restrictive measures. It was also due to the surge in demand for cross-border transportation of consumer goods from online shopping. As the impact of COVID-19 pandemic reduces, the unwinding port congestion has been releasing shipping capacity into cross-border logistics industry. Since late 2022, freight rates of global cross-border logistics services have decreased. We expect that our revenue, gross profit and net profit will experience considerable decrease in 2023 as compared to our exceptionally strong performance in 2021 and 2022.

## SUMMARY

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### **Impact of the Industry Freight Rate and Shipping Volume on Our Financial Performance**

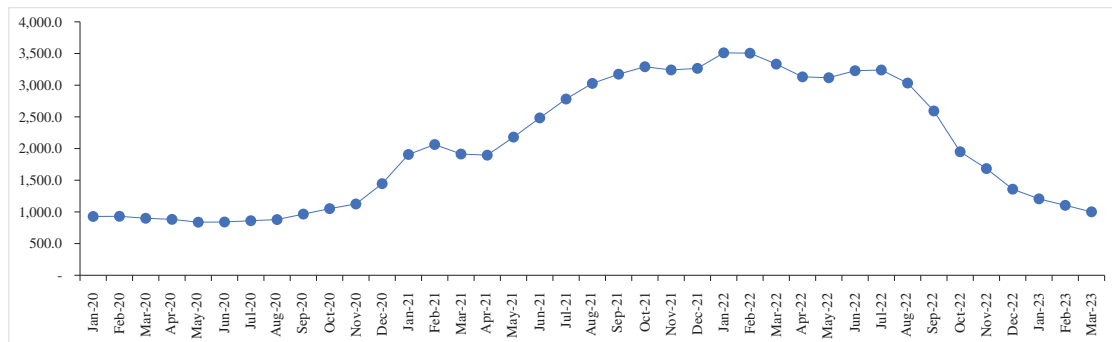
The cross-border logistics service industry is highly cyclical and characterized by a high degree of volatility in market freight rates. Such cyclicity is influenced by changes in the supply of and demand for vessel capacity and goods to be shipped, which is often underpinned by a broad range of macroeconomic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

The inherently cyclical nature of the cross-border logistics service industry provides opportunities and poses risks to its market players. Examples of market opportunities associated with such cyclical nature of the industry include the heightened freight rates that cross-border logistics companies are able to capture by charging its customers when such freight rates peak. However, heightened freight rates may also pose a risk for cross-border logistics service companies who often charter in to enhance their shipping capacity as the charter rates charged by vessel suppliers will also be at heightened levels. Another market opportunity is that market players may capitalize on the cyclicity by purchasing assets at a cheaper price or chartering in shipping capacity at relatively low market charter rates and then charter out such vessels at higher rates when market sentiments improve. Conversely, a major associated risk is that the ability to capitalize on any potential increases in market newbuilding rates and/or charter rates requires market players to have an astute understanding of the industry in order to quickly respond to such volatility and to gauge whether market sentiments will in fact increase. Additionally, there is no guarantee there will be an adequate demand for cross-border logistics services upon the completion of construction of newly built vessels which may pose a significant risk to market players. Please refer to “Risk Factors—Newbuilding projects are subject to risks that could cause delays, cost overruns or cancelation of our newbuilding contracts and could incur significant indebtedness and outflow of cash” for details.

## SUMMARY

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

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



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

During the Track Record Period, freight rates typically fluctuated in line with the movements in the China Average Composite Containerized Freight Index, which generally affected our financial performance. The China Average Composite Containerized Freight Index increased sharply from 970.6 in 2020 to 2,601.9 in 2021 and further to 2,807.0 in 2022, on an annual monthly average basis, and we recorded net profit for the year of RMB27.5 million, RMB392.0 million and RMB386.3 million, respectively, for the corresponding periods. Because of the COVID-19 pandemic, the global cross-border retail and e-commerce companies had an abnormally large amount of goods preparation and shipment from 2020 to 2021, resulting in unplanned disruption to the global supply chain, which in turn led to a sudden surge in demand for cross-border logistics services in 2021 as well as an increase in freight rates during the same period. The sudden surge in demand for cross-border logistics services in 2021 and the increasing trend exhibited by the China Average Composite Containerized Freight Index during 2021 and 2022 allowed existing cross-border logistics service providers like us to capture the market opportunity and recorded an exceptionally strong financial performance during the Track Record Period, in particular for the years ended December 31, 2021 and 2022. Since late 2022, there was a decline in the China Average Composite Containerized Freight Index, which decreased significantly to 1,001.3 in March 2023 as compared to 1,913.6 and 3,332.7 in March 2021 and March 2022, respectively, on a monthly basis. Nonetheless, it was still higher than the pre-COVID level, which was 856.4 in January 2019. According to Frost & Sullivan, fluctuation in the China Average Composite Containerized Freight Index is expected to continue in 2023. While the freight rates are expected to fluctuate during the short term, they are unlikely to fall below the pre-COVID level in 2019 in the long run because of

## SUMMARY

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the rapid growth in the global e-commerce market, the gradual recovery and sustainable development of China’s export and import commerce as well as capacity adjustment made by shipping carriers to align with demand fluctuation, according to Frost & Sullivan. Please refer to “Industry Overview—The Market Size of Cross-border Logistics Service Market—Discussion of Shipping Volume and Freight Rates from 2023 to 2027” for further details.

Driven by the rapid growth of global e-commerce market and stable import and export activities, the shipping volume of global seaborne transportation market has remained relatively stable in recent years. According to Frost & Sullivan, the shipping volume of global seaborne transportation market is expected to maintain stable growth between 2022 and 2027 at a CAGR of approximately 3.2%. We believe that our service volume will remain sustainable in 2023. We plan to strategically develop our China-Asia and China-Americas routes, and enhance capacity at key logistics nodes (such as Los Angeles, Manzanillo, Lazaro Cardenas and Ho Chi Minh City), including setting up warehouses and container yards and purchasing trucks. In addition, we continue to seek and explore opportunities to leverage our cumulative cross-border logistics resources and integration capabilities to find new sources of revenue. Since February 2023, we have entered into import agency agreements with clients in China to provide import agency services. See “Business—Recent Market Changes and Certain Management Estimate—Launch of Import Agency Services and Supply Chain Solutions” for details.

As a result of the above, we believe that we will remain sustainable and profitable relying on (i) the flexibility of our business model that enables us to flexibly deploy vessels and other resources based on market condition for both cross-border logistics services and time charter services, and (ii) the stability of global container shipping volume, which is expected to grow steadily from 2023 to 2027, according to Frost & Sullivan. In response to the decline in freight rates since late 2022 and the rise of market uncertainties, we have strategically increased our focus on cross-border seaborne transportation services provided by third parties and time charter services in the first quarter of 2023 while we continue to closely monitor the prevailing freight rates, proactively assess our customer demand and remain committed to resuming our self-operated cross-border seaborne transportation services in the second quarter of 2023, when our management expects the cross-border logistics service market recovers and the freight rates become relatively stable. As a result, we expect that our revenue, gross profit and net profit will experience considerable decrease in 2023 as compared to 2021 and 2022. Please see “Risk Factors—We may not sustain our historical growth” for details.

Taking into account the financial resources available to us, including our cash and cash equivalents and potential external financing sources, our Directors are of the view, and the Joint Sponsors concur, that we have sufficient working capital to meet our present requirements, that is for at least the next 12 months from the date of this document.

See “Business—Recent Market Changes and Certain Management Estimate” for details.



## SUMMARY

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### **Impact of Key Events in the Cross-Border Logistics Service Industry**

#### *Impact of bunker fuel expenses on our financial performance*

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 approximately 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 our gross profit margin of our self-operated cross-border seaborne transportation from 19.1% in 2021 to 14.1% in 2022. See “Risk Factors—Changing fuel costs and interruptions of fuel supplies may reduce our profitability” for details.

#### *The U.S. Ocean Shipping Reform Act*

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

## SUMMARY

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

- (1) We communicated with the terminal operators and destination port agents in the United States, whom we have a business relationship with, before the OSRA 2022 became effective to discuss the invoicing matters of demurrage fees and make adjustments where appropriate, making sure that all relevant invoices and fee details will meet the requirements of the OSRA 2022.
- (2) With regard to the new charging complaint procedure as stipulated in the OSRA 2022, we promptly published the details of our demurrage charges for import to the United States, the dispute resolution procedures and our contact information on our website to ensure compliance and transparency of our fee details, and standardize our dispute resolution procedures to enhance communication efficiency with customers and improve customer satisfaction.
- (3) Pursuant to the OSRA 2022 requirements on the carrier's burden of proof and detailing of invoices, we have strengthened our documentation requirements for our routes to the United States. We have also strengthened our container management system to improve data docking with terminals, yards and agents. In doing so, we make sure the data accuracy of each logistics node and the rationality and compliance of our fee charges.
- (4) We have not rejected any demand for export space from exporters in the United States and are willing to increase bookings of export cargo from the United States.

As of the Latest Practicable Date, the OSRA 2022, as well as the measures adopted by us, did not have material adverse impact on our business operation and financial condition.

### **Impact of the COVID-19 Outbreak**

The COVID-19 pandemic has adversely affected the global economy and caused disruptions to the global supply chain. In China, the government has imposed strict COVID-19 prevention measures, including lockdowns, closure of workplace, restriction of mobility and mandatory quarantine requirements, which have adversely affected the production progress of the manufacturing industry in China. In view of the COVID-19 prevention measures in China, we have implemented measures aiming at preventing the spread of COVID-19 in our facilities. In addition, our employees would do COVID-19 test and wear masks in compliance with requirements from corresponding local governments.



## SUMMARY

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The COVID-19 pandemic also had impact on the global cross-border logistics industry. Due to the outbreak of COVID-19, the worldwide restrictive measures in 2020 adversely impacted shipping capacity, port operation and labor supply of cross-border logistics. For example, COVID-19 quarantine measures limited available staff at ports and therefore reduced ports’ operational efficiency. There were also port congestion and long delay of shipment arrival. As a result, services were reduced due to limited staff and ships that were available, which led to insufficient shipping capacities and supply in the cross-border logistics industry. On average, we experienced delay due to the COVID-19 pandemic and port congestion of approximately 14.6 days per affected voyage and 11.2 days per affected voyage in 2021 and 2022, respectively, and incurred additional vessel charter-in costs for the delayed period, which amounted to an approximately US\$20.5 million and US\$14.0 million in 2021 and 2022, respectively. Our shipping routes to the western United States were impacted the most, with a delayed period of approximately 22.2 days per affected voyage and 23.8 days per affected voyage in 2021 and 2022, respectively, and incurred additional vessel charter-in costs for the delayed period, which amounted to approximately US\$18.5 million and US\$13.2 million in 2021 and 2022, respectively, under the China-Americas route resulting from port congestion. The extra costs resulting from port congestion were calculated by the daily charter rates for chartered-in vessels and the number of days delayed due to port congestion. As a result of the imbalance between supply and demand, China Average Composite Containerized Freight Index increased significantly from 970.6 in 2020 to 2,601.9 in 2021, and further to 2,807.0 in 2022, showing a significant increase in market freight rates. Our revenue also grew from RMB781.5 million in 2020 to RMB4,195.4 million in 2021, and further to RMB4,607.9 million in 2022. In addition, the COVID-19 pandemic changed consumer’s shopping habits. The pandemic has resulted in a shift in consumer behavior towards online shopping, which has boosted the e-commerce industry in China and driven the demand for cross-border logistics services to export Chinese products. The increase in demands of cross-border logistics services has, to some extent, led to the growth of our business. We believe the shift in consumer behavior towards online shopping is likely to have a long term positive impact on the cross-border logistics service industry.

Taking into account of the above, we believe the COVID-19 pandemic had positive impact on our business performance during the Track Record Period. Since late 2022, the impact of COVID-19 pandemic on the global cross-border logistics industry has reduced. The unwinding port congestion has released shipping capacity into market, and freight rates of global cross-border logistics services have decreased. We will continue to monitor the development of the pandemic and take appropriate actions in response to any future change. See “Business—Impact of the COVID-19 Pandemic.”

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## SUMMARY

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### **New Filing Requirement in Relation to the Overseas Securities Offering and Listing of Domestic Companies**

On February 17, 2023, the CSRC promulgated the Administrative Trial Implementation Measures for Filing of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and the Notice on the Administrative Filing Arrangement Concerning Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》) (collectively, the “**Overseas Listing Trial Measures**”), which require indirect overseas offering and listing by PRC domestic companies to be subject to the CSRC’s filing requirement starting from March 31, 2023. The Overseas Listing Trial Measures will comprehensively improve and reform the existing regulatory regime for overseas offering and listing by PRC domestic companies and will regulate both direct and indirect overseas offering and listing by PRC domestic companies.

According to the Overseas Listing Trial Measures, a PRC domestic company that seeks to offer or list securities in an overseas market, either directly or indirectly, are subject to completion of filing procedures with and reporting of relevant information to the CSRC. As advised by our PRC Legal Advisors, we are subject to the CSRC filing as the [REDACTED] constitutes an indirect overseas [REDACTED] and [REDACTED] by domestic companies under the Overseas Listing Trial Measures. We have submitted a filing to the CSRC for application of [REDACTED] of the Shares on the Stock Exchange and the [REDACTED] on April 13, 2023. The application documents were accepted by the CSRC on April 24, 2023. No other approvals from the CSRC are required to be obtained for the [REDACTED] of the Shares on the Stock Exchange, according to our PRC Legal Advisors. See “Regulatory Overview—Laws and Regulations Relating to Our Business in the PRC—Laws and Regulations Relating to Overseas Securities Offering and Listing of Domestic Companies” for details.

### **No Material Adverse Change**

Our Directors confirm that, since December 31, 2022 (being the date on which the latest audited consolidated financial information of our Group was prepared) and up to the date of this document, there has been no material adverse change in our financial or trading position and there is no event which would materially affect the information shown in our consolidated financial information included in the Accountants’ Report in Appendix I to this document.

## DEFINITIONS AND ACRONYMS

*In this document, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed “Glossary of Technical Terms” in this document.*

“Accountants’ Report”	the accountants’ report for the years ended December 31, 2020, 2021 and 2022 prepared by Ernst & Young, the text of which is set out in Appendix I to this document;
“Acting in concert Deed”	the acting in concert deed dated October 15, 2022 and executed by our Ultimate Controlling Shareholders, details of which are set out in “Relationship with our Controlling Shareholders—Acting in Concert Deed”;
“AFRC”	the Accounting and Financial Reporting Council of Hong Kong;
“Articles of Association” or “Articles”	the amended and restated articles of association of our Company, conditionally adopted on [●], 2023 which will come into effect upon [REDACTED], a summary of which is set out in “Appendix III—Summary of the Constitution of the Company and Cayman Islands Company Law” to this document, as amended, supplemented or otherwise modified from time to time;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Audit Committee”	the audit committee of our Board;
“BAL Australia”	BAL (AUSTRALIA) SHIPPING PTY LTD, a company incorporated in Australia with limited liability on August 11, 2022 and an indirect non-wholly owned subsidiary of our Company;
“BAL Bright”	BAL BRIGHT SHIPPING CO., LIMITED (寶亮航運有限公司) (formerly known as BAL BRIGHT SHIPPING CO., LIMITED (寶明航運有限公司)), a company incorporated in Hong Kong with limited liability on November 4, 2020, which was owned as to 55% by Skyfield Dragon Ltd. and 45% by Burngroup Holding prior to our disposal in December 2021;

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## DEFINITIONS AND ACRONYMS

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“BAL Container Line”	BAL CONTAINER LINE CO., LIMITED (博亞國際海運有限公司) (formerly known as BAL CONTAINER LINE CO., LIMITED (博亞國際集裝箱運輸有限公司)), a company incorporated in Hong Kong with limited liability on August 14, 2012 and an indirect non-wholly owned subsidiary of our Company;
“BAL Guangzhou”	BAL GUANGZHOU SHIPPING CO., LIMITED (博亞廣州航運有限公司), a company incorporated in Hong Kong with limited liability on March 15, 2023 and an indirect non-wholly owned subsidiary of our Company;
“BAL Hainan”	BAL HAINAN SHIPPING CO., LIMITED (博亞海南航運有限公司), a company incorporated in Hong Kong with limited liability on May 27, 2021 and an indirect non-wholly owned subsidiary of our Company;
“BAL Qingdao”	BAL QINGDAO SHIPPING ENTERPRISE CO., LIMITED (博亞青島航運有限公司) (formerly known as BAL QINGDAO SHIPPING ENTERPRISE CO., LIMITED), a company incorporated in Hong Kong with limited liability on December 20, 2019 and an indirect non-wholly owned subsidiary of our Company;
“BAL Shandong”	BAL SHANDONG SHIPPING CO., LIMITED (博亞山東航運有限公司), a company incorporated in Hong Kong with limited liability on March 15, 2023 and an indirect non-wholly owned subsidiary of our Company;
“BAL Shanghai”	BAL SHANGHAI SHIPPING ENTERPRISE CO., LIMITED (博亞(上海)航運有限公司), a company incorporated in Hong Kong with limited liability on October 16, 2019 and an indirect non-wholly owned subsidiary of our Company;
“BAL Singapore”	BAL (SINGAPORE) SHIPPING PTE. LTD (博亞(新加坡)航運有限公司), a company incorporated in Singapore with limited liability on July 6, 2021 and an indirect non-wholly owned subsidiary of our Company;

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## DEFINITIONS AND ACRONYMS

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“BAL Star”	BAL STAR SHIPPING CO., LIMITED (寶星航運有限公司) (formerly known as BAT CONTAINER CO., LIMITED (博安集裝箱有限公司)), a company incorporated in Hong Kong with limited liability on January 22, 2018, and an indirect non-wholly owned subsidiary of our Company;
“BAL USA Logistic”	BAL USA LOGISTIC INC., a company incorporated in the state of California, the U.S., with limited liability on July 7, 2022 and an indirect non-wholly owned subsidiary of our Company;
“BAL USA Shipping”	BAL (USA) SHIPPING INC., a company incorporated in the state of California, the U.S., with limited liability on July 19, 2021 and an indirect non-wholly owned subsidiary of our Company;
“BAL Vietnam”	BAL (VIETNAM) SHIPPING COMPANY LIMITED, a company incorporated in Vietnam with limited liability on October 17, 2022 and an indirect non-wholly owned subsidiary of our Company;
“Boan Shipping”	BOAN SHIPPING ENTERPRISE CO., LIMITED (博安航運有限公司), a company incorporated in Hong Kong with limited liability on December 17, 2018 and an indirect non-wholly owned subsidiary of our Company;
“Board”	the board of Directors;
“Burngroup Holding”	BURNGROUP HOLDING CO., LIMITED (博亞集團控股(香港)有限公司), a company incorporated in Hong Kong with limited liability on June 3, 2015 and an indirect non-wholly owned subsidiary of our Company;
“Business Day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong;
“BVI”	the British Virgin Islands;
“CAC”	the Cyberspace Administration of China

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## DEFINITIONS AND ACRONYMS

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“CAGR” compounded annual growth rate, which is calculated by dividing the amount at the end of the period by the amount of the beginning of that period, raising the result to an exponent of one divided by the number of years in the period, and subtracting one from the subsequent result;

[REDACTED] the issue of [REDACTED] Shares to be made upon capitalization of US\$[REDACTED] standing to the credit of the share premium account of our Company as referred to “Statutory and General Information—A. Further Information about Our Company—4. Written resolutions of our Shareholders passed on [●], 2023” in Appendix IV to this document;

[REDACTED]

“Cassia Treasure” Cassia Treasure Limited, a company incorporated in the BVI with limited liability on July 19, 2022, which is wholly owned by Ms. Lv;

[REDACTED]

## DEFINITIONS AND ACRONYMS

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[REDACTED]

“China” or “PRC”

the People’s Republic of China, but for the purpose of this document and for geographical reference only and except where the context requires otherwise, references in this document to “China” and the “PRC” do not apply to Hong Kong, Macao and Taiwan;

“close associate(s)”

has the meaning ascribed to it under the Listing Rules;

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## DEFINITIONS AND ACRONYMS

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“CG Code” or “Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules;
“Companies Act” or “Cayman Companies Act”	the Companies Act (As Revised), Cap. 22 of the Cayman Islands;
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time;
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time;
“Company” or “our Company”	LC Logistics, Inc. (乐舱物流股份有限公司), an exempted company incorporated in the Cayman Islands with limited liability on July 27, 2022;
“Comprehensively Sanctioned Countries”	any country or territory subject to a general and comprehensive export, import, financial or investment embargo under sanctions related law or regulation of the Relevant Jurisdiction, currently Cuba, Iran, North Korea, Syria, the Crimea region of Russia/Ukraine, the self-proclaimed Luhansk People’s Republic (“LPR”) and Donetsk People’s Republic (“DPR”) regions, and Zaporizhzhia and Kherson regions;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules, and unless the context otherwise requires, refers to Mr. Xu, Ms. Li, Ms. Liu, Lecang Boundless, Lecang Fantasy, Grand Sailing, Lecang Altitude, Peace Seaworld, Lecang Shining, Spring Wealth, Lecang Flourishing and Glorious Sailing, and a Controlling Shareholder shall mean each or any one of them;
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會);



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## DEFINITIONS AND ACRONYMS

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“Deed of Indemnity”	the deed of indemnity dated [●], 2023 and executed by our Controlling Shareholders in favor of our Company (for ourselves and as trustee for our subsidiaries), see “Appendix IV—Statutory and General Information—E. Other Information—1. Tax and other indemnities” for details;
“Director(s)”	the director(s) of our Company;
“document”	this document being issued in connection with the [REDACTED]
“EIT Law”	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), as enacted by the NPC on March 16, 2007 and effective on January 1, 2008, as amended, supplemented or otherwise modified from time to time;
“Employees’ [REDACTED] Investment”	the investment made by our certain existing employees through Qingdao Boan, details of which are set forth in “History, Reorganization and Corporate Structure—[REDACTED] Investments”;
“Employee [REDACTED] Investors”	the investors of the Employees’ [REDACTED] Investment, including Ms. Zhang Xiaojing (張曉靜), Ms. Zhu Jiali (朱佳麗), Mr. Zhang Feng (張峰), Mr. Feng Wenxiang (馮文祥), Mr. Fu Kai (符愷), Ms. Sun Yao (孫瑤), Ms. Ding Sujun (丁素君), Mr. Ji Chunfeng (吉春峰), Mr. Zeng Xiangdi (曾祥蒂), Mr. Liu Zhenfei (劉振飛), Mr. Sun Zhenlin (孫振林), Ms. Yu Lan (于蘭) and Ms. Shao Jingwen (邵景文);
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the government of Hong Kong;
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., our industry consultant, which is an Independent Third Party;
“Frost & Sullivan Report”	an independent market research report commissioned by us and prepared by Frost & Sullivan for the purpose of this document;

[REDACTED]

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## DEFINITIONS AND ACRONYMS

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“Glorious Sailing”	Glorious Sailing Limited, a company incorporated in the BVI with limited liability on July 20, 2022, which is owned as to approximately 79.53% by Mr. Xu (an ultimate Controlling Shareholder and an executive Director), 4.96% by Ms. Zhu Jiali (朱佳麗) (an executive Director), 3.97% by Mr. Zhang Feng (張峰) (our senior management member), 0.50% by Ms. Ding Sujun (丁素君) (our joint company secretary) and 11.04% by other 10 existing employees of our Group, each of whom is an Independent Third Party save for being an employee of our Group;
“Grand Sailing”	Grand Sailing Limited, a company incorporated in the BVI with limited liability on July 14, 2022 and one of our Controlling Shareholders, which is wholly owned by Mr. Xu;
“Greater China”	the geographical area that encompasses mainland China, Hong Kong, Macao and Taiwan;
	[REDACTED]
“Group”	our Company, its subsidiaries from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time;
“Hainan Rongcang”	Hainan Rongcang Supply Chain Co., Ltd. (海南融倉供應鏈有限公司), a company established in the PRC with limited liability on April 24, 2022 and an indirect non-wholly owned subsidiary of our Company;
“Hainan Yangpu Xinyang”	Hainan Yangpu Xinyang International Shipping Co., Ltd. (海南洋浦星洋國際海運有限公司), a company established in the PRC with limited liability on September 21, 2020 and an indirect non-wholly owned subsidiary of our Company;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;

## DEFINITIONS AND ACRONYMS

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[REDACTED]

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

[REDACTED]

[REDACTED]

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

“Independent Third Party(ies)”           individual(s) or company(ies) which, to the best of our Directors’ knowledge, information, and belief, having made all reasonable enquiries, is/are independent of our Company and our connected persons;

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## DEFINITIONS AND ACRONYMS

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[REDACTED]

“International Sanctions”	all applicable laws and regulation to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted administered and enforced by the U.S. Government, the EU and its member states, UN or Government of Australia;
“International Sanctions Legal Advisors”	Hogan Lovells, our legal advisors as to International Sanctions laws in connection with the [REDACTED];

[REDACTED]

[REDACTED]

“Jiangsu Xinboya”	Jiangsu Xinboya International Logistics Co., Ltd. (江蘇鑫博亞國際物流有限公司), a company established in the PRC with limited liability on May 21, 2012, which is owned as to 15% by Shandong Lcang, 42.5% by Mr. Zhu Dong (朱東), an Independent Third Party, and 42.5% by Ms. Tang Lili (唐麗麗), an Independent Third Party;
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## DEFINITIONS AND ACRONYMS

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[REDACTED]

“Joint Sponsors”	CITIC Securities (Hong Kong) Limited and ABCI Capital Limited;
“Latest Practicable Date”	April 28, 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication;
“LC (BVI)”	LC Logistics International Co., Limited (乐舱物流国际有限公司), a company incorporated in the BVI with limited liability on August 5, 2022 and a direct wholly-owned subsidiary of our Company;
“LC (HK)”	LC Holdings (Hong Kong) Co., Limited (樂艙控股(香港)有限公司), a company incorporated in Hong Kong with limited liability on August 18, 2022 and an indirectly wholly-owned subsidiary of our Company;
“Lcang Enterprise Management”	Shandong Lcang Enterprise Management Service Co., Ltd. (山東樂艙企業管理服務有限公司), a company established in the PRC with limited liability on May 31, 2022 and an indirect wholly-owned subsidiary of our Company;
“Lcang (Qingdao)”	Lcang (Qingdao) Logistics Supply Chain Co., Ltd. (樂艙(青島)物流供應鏈有限公司), a company established in the PRC with limited liability on October 8, 2022 and an indirect wholly-owned subsidiary of our Company;

## DEFINITIONS AND ACRONYMS

“Lcang Technology”	<p>Qingdao Lcang Technology Co., Ltd. (青島樂艙科技有限公司), a holding company established in the PRC with limited liability on May 25, 2022 by the then shareholders of Shandong Lcang and is owned as to approximately 42.87% by Mr. Xu, 9.60% by Ms. Liu, 7.75% by Ms. Li, 37.33% by 12 then individual shareholders of Shandong Lcang (including 5.02% by Mr. Liu Yi (劉軼), 4.74% by Mr. Huang Jicheng (黃繼承), 4.59% by Ms. Lv Guizhen (呂桂珍), 4.27% by Ms. Zhang Xinhe (張鑫鶴), 4.23% by Ms. Liu Lin (劉琳), 3.04% by Ms. Xu Xiaoling (許曉玲), 2.89% by Mr. Zheng Dan (鄭丹), 2.50% by Ms. Fan Fenglan (范風蘭), 2.22% by Ms. Wang Wang (汪汪), 2.13% by Mr. Chen Xin (陳鑫), 0.92% by Mr. Fu Dazheng (傅達正) and 0.76% by Ms. Yang Jie (楊潔)) and 2.45% by 13 beneficiaries of Qingdao Boan (each being an existing employee of the Group, including 0.59% by Ms. Zhang Xiaojing (張曉靜), 0.59% by Ms. Zhu Jiali (朱佳麗), 0.47% by Mr. Zhang Feng (張峰), 0.25% by Mr. Feng Wenxiang (馮文祥), 0.18% by Mr. Fu Kai (符愷), 0.13% by Ms. Sun Yao (孫瑤), 0.06% by Ms. Ding Sujun (丁素君), 0.06% by Mr. Ji Chunfeng (吉春峰), 0.04% by Mr. Zeng Xiangdi (曾祥蒂), 0.02% by Mr. Liu Zhenfei (劉振飛), 0.02% by Mr. Sun Zhenlin (孫振林), 0.01% by Ms. Yu Lan (于蘭), and 0.01% by Ms. Shao Jingwen (邵景文));</p>
“LC Western”	<p>LC WESTERN POST LOGISTIC INC, a company incorporated in the state of New Jersey, the U.S., with limited liability on October 26, 2022 and an indirect non-wholly owned subsidiary of our Company;</p>
“Lecang Altitude”	<p>Lecang Altitude Limited, a company incorporated in the BVI with limited liability on July 19, 2022 and one of our Controlling Shareholders. which is wholly owned by Grand Sailing;</p>
“Lecang Amazing”	<p>Lecang Amazing Limited, a company incorporated in the BVI with limited liability on July 19, 2022 and our Shareholder, which is wholly owned by Ms. Yang Jie (楊潔), the spouse of Mr. Hong Yan (洪研) who is a director and a substantial shareholder of Shanghai Sijin (our non-wholly owned subsidiary);</p>

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## DEFINITIONS AND ACRONYMS

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“Lecang Blooming”	Lecang Blooming Limited, a company incorporated in the BVI with limited liability on July 19, 2022 and our Shareholder, which is wholly owned by Ms. Xu Xiaoling (許曉玲), the sister of Mr. Xu;
“Lecang Boundless”	Lecang Boundless Limited, a company incorporated in the BVI with limited liability on July 14, 2022 and one of our Controlling Shareholders, which is wholly owned by Mr. Xu;
“Lecang Champion”	Lecang Champion Limited, a company incorporated in the BVI with limited liability on July 26, 2022 and our Shareholder, which is wholly owned by Mr. Zheng Dan (鄭丹), an Independent Third Party;
“Lecang Crystal”	Lecang Crystal Limited, a company incorporated in the BVI with limited liability on July 22, 2022 and our Shareholder, which is wholly owned by Ms. Liu Lin (劉琳), the spouse of Mr. Zhu Junchen (朱駿晨) who is a director of Shanghai Sijin (our non-wholly owned subsidiary) and Zhangjiagang Lechang (our indirect non-wholly owned subsidiary);
“Lecang Fantasy”	Lecang Fantasy Limited, a company incorporated in the BVI with limited liability on July 21, 2022 and one of our Controlling Shareholders, which is wholly owned by Lecang Boundless;
“Lecang Flourishing”	Lecang Flourishing Limited, a company incorporated in the BVI with limited liability on July 19, 2022 and one of our Controlling Shareholders, which is wholly owned by Spring Wealth;
“Lecang Liberty”	Lecang Liberty Limited, a company incorporated in the BVI with limited liability on July 22, 2022 and our Shareholder, which is wholly owned by Mr. Huang Jicheng (黃繼承), an Independent Third Party;
“Lecang Luxuriant”	Lecang Luxuriant Limited, a company incorporated in the BVI with limited liability on July 22, 2022 and our Shareholder, which is wholly owned by Ms. Wang Wang (汪汪), an Independent Third Party;

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## DEFINITIONS AND ACRONYMS

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“Lecang Soar”	Lecang Soar Limited, a company incorporated in the BVI with limited liability on July 22, 2022 which is wholly owned by Mr. Chen Xin (陳鑫), an Independent third Party;
“Lecang Shipping”	LECANG SHIPPING ENTERPRISE CO., LIMITED (樂艙航運有限公司), a company incorporated in Hong Kong with limited liability on January 22, 2018 and an indirect non-wholly owned subsidiary of our Company;
“Lecang Shining”	Lecang Shining Limited, a company incorporated in the BVI with limited liability on July 19, 2022 and one of our Controlling Shareholders, which is wholly owned by Peace Seaworld;
“Lecang Vast Galaxy”	Lecang Vast Galaxy Limited, a company incorporated in the BVI with limited liability on July 22, 2022 and our Shareholder, which is wholly owned by Ms. Zhang Xinhe (張鑫鶴), an Independent third Party;
“Lecang Vast Star”	Lecang Vast Star Limited, a company incorporated in the BVI with limited liability on July 22, 2022 which is wholly owned by Mr. Fu Dazheng (傅達正), the director of Shanghai Sijin;

[REDACTED]

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time;
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## DEFINITIONS AND ACRONYMS

“M&A Rules”	the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》), which were jointly promulgated by MOFCOM, the State-owned Assets Supervision and Administration Commission, the STA, the State Administration for Industry and Commerce, the CSRC, and the SAFE on August 8, 2006, and came into effect on September 8, 2006 and subsequently amended on June 22, 2009, as amended, supplemented or otherwise modified from time to time;
“Macao”	the Macao Special Administrative Region of the PRC;
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange;
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association conditionally adopted on [●], 2023 which will come into effect upon [REDACTED] a summary of which is set out in “Appendix III—Summary of the Constitution of the Company and Cayman Islands Company Law” to this document, as amended, supplemented or otherwise modified from time to time;
“Minority Shareholders”	40 shareholders of Shandong Lcang, each holding less than 0.5% of the total issued shares of Shandong Lcang;
“MOFCOM” or “Ministry of Commerce”	the Ministry of Commerce of the PRC (中華人民共和國商務部);
“Mr. Xu”	Mr. Xu Xin (許昕), an executive Director, chief executive officer, president, chairman of our Board, one of our ultimate Controlling Shareholders and spouse of Ms. Li;
“Ms. Li”	Ms. Li Yan (李艷), an executive Director, vice president, one of our ultimate Controlling Shareholders and spouse of Mr. Xu;
“Ms. Liu”	Ms. Liu Quanxiang (劉泉香), one of our ultimate Controlling Shareholders, one of our [REDACTED] Investors, the mother of Ms. Li and the mother-in-law of Mr. Xu, whose details are set forth in “History, Reorganization and Corporate Structure—[REDACTED] Investments—Information relating to our [REDACTED] Investors”;

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## DEFINITIONS AND ACRONYMS

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“Ms. Liu’s Investment”	the investment made by Ms. Liu, details of which are set forth in “History, Reorganization and Corporate Structure—[REDACTED] Investments”;
“Ms. Liu Lin’s Investment”	the investment made by Ms. Liu Lin (劉琳), see “History, Reorganization and Corporate Structure—[REDACTED] Investments” for details. Ms. Liu Lin is the spouse of Mr. Zhu Junchen (朱駿晨) who is a director of Shanghai Sijin;
“Ms. Lv”	Ms. Lv Guizhen (呂桂珍), the mother of Mr. Xu and the mother-in-law of Ms. Li and a former director of Shandong Lcang;
“Ms. Wang Wang’s Investment”	the investment made by Ms. Wang Wang (汪汪), an Independent Third Party, details of which are set forth in “History, Reorganization and Corporate Structure—[REDACTED] Investments”;
“NEEQ”	National Equities Exchange and Quotations (全國中小企業股份轉讓系統);
“Ningbo Boya”	Ningbo Boya International Logistics Co., Ltd. (寧波博亞國際物流有限公司), a company established in the PRC with limited liability on January 11, 2017 and an indirect non-wholly owned subsidiary of our Company;
“NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會);
“OFAC”	the U.S. Department of Treasury’s Office of Foreign Assets Control;

[REDACTED]

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## DEFINITIONS AND ACRONYMS

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[REDACTED]

“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC;
“PCW”	PCW Limited, a company incorporated in the BVI with limited liability on June 28, 2022 and our Shareholder, which is wholly owned by Mr. Wang Cheng (王瑋), one of our [REDACTED] investors and an Independent Third Party, see “History, Reorganization and Corporate Structure—[REDACTED] Investments” for details;
“PCW (HK)”	PCW (Hong Kong) International Limited, a company incorporated in Hong Kong with limited liability on July 14, 2022, and wholly owned by PCW Investment;
“PCW Investment”	PCW Investment Limited, a company incorporated in the BVI with limited liability on June 29, 2022 and a wholly-owned subsidiary of our Company;
“PCW’s Investment”	the investment made by PCW, an Independent Third Party, see “History, Reorganization and Corporate Structure—[REDACTED] Investments” for details;
“Peace Seaworld”	Peace Seaworld Limited, a company incorporated in the BVI with limited liability on July 14, 2022 and one of our Controlling Shareholders, which is wholly owned by Ms. Li;

## DEFINITIONS AND ACRONYMS

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[REDACTED]

“Power Bright”

Power Bright Limited, a company incorporated in the BVI with limited liability on July 19, 2022, and our Shareholder, which is wholly owned by Mr. Liu Yi (劉軼), an Independent Third Party;

“PRC Legal Advisors”

Commerce & Finance Law Offices, our legal advisors as to PRC laws;

[REDACTED]

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## DEFINITIONS AND ACRONYMS

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“Qingdao Boan”	Qingdao Boan Enterprise Management Consulting Partnership (Limited Partnership) (青島博安企業管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on June 25, 2015 which is owned as to approximately 5% by Qingdao Jiliang (the general partner of Qingdao Boan and a company controlled by Mr. Xu), 74.94% by Mr. Xu, 4.86% by Ms. Zhu Jiali (our executive Director), 3.89% by Mr. Zhang Feng (our senior management member), 0.49% by Ms. Ding Sujun (our joint company secretary) and 10.82% by other 10 limited partners, all being existing employees of our Group, each of whom is an Independent Third Party save for being an employee of our Group;
“Qingdao Boya”	Qingdao Boya International Logistics Co., Ltd. (青島博亞國際物流有限公司), a company established in the PRC with limited liability on March 30, 2018 and an indirect non-wholly owned subsidiary of our Company;
“Qingdao Jiliang”	Qingdao Jiliang Enterprise Management Consulting Co., Ltd. (青島集諒企業管理諮詢有限公司), a company established in the PRC with limited liability on May 25, 2015, which is owned as to 60% by Mr. Xu, 25% by Ms. Li and 15% by Ms. Liu, our ultimate Controlling Shareholders;
“Qingdao Wanhao”	Qingdao Wanhao International Ship Management Co., Ltd. (青島萬豪國際船舶管理有限公司), a company established in the PRC with limited liability on April 15, 2019 and an indirect non-wholly owned subsidiary of our Company;
“Regions subject to International Sanctions”	any country or territory subject either to a general and comprehensive embargo or a more limited set of export, import, financial or investment restrictions under sanctions related laws or regulation of the Relevant Jurisdiction;
“Regulation S”	Regulation S under the U.S. Securities Act;
“Renminbi” or “RMB”	the lawful currency of the PRC;

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## DEFINITIONS AND ACRONYMS

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“Relevant Jurisdiction”	any jurisdiction that is relevant to the Company and has sanctions related law or regulation restricting, among other things, its nationals and/or entities which are incorporated or located in that jurisdiction from directly or indirectly making assets or services available to or otherwise dealing in assess or certain countries, governments, person or entities targeted by such law or regulation. For the purpose of this document, Relevant Jurisdictions include United States, EU, UN, the United Kingdom and Australia;
“Relevant Persons”	the Company, together with its investors and shareholders and persons who might directly or indirectly, be involved in permitting the [REDACTED], [REDACTED] and [REDACTED] of its shares including the Stock Exchange and related group companies;
“Relevant Regions”	Hong Kong and Russia (excluding Crimea);
“Remuneration Committee”	the remuneration committee of our Board;
“Reorganization”	the reorganization of our Group in preparation of the [REDACTED] details of which are described in “History, Reorganization and Corporate Structure—Reorganization”;
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局);
“Sanctioned Target”	any person or entity (i) designated on any list of targeted persons or entities issued under the sanctions-related law or regulation of a Relevant Jurisdiction; (ii) that is, or is owned or controlled by, a government of a Country subject to International Sanctions; or (iii) that is the target of sanctions under the law or regulation of a Relevant Jurisdiction because of a relationship of ownership, control, or agency with a person or entity described in (i) or (ii);
“Sanctioned Person”	certain person(s) and identity(ies) listed on OFAC’s Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the U.S., EU, UN or Australia;

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## DEFINITIONS AND ACRONYMS

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“SCNPC”	Standing Committee of the National People’s Congress (全國人民代表大會常務委員會);
“SDN”	individuals and entities that are listed on the SDN List;
“SDN List”	the list of Specially Designated Nationals, and Blocked Persons maintained by OFAC, which sets forth individuals and entities that are subject to its sanctions and restricted from dealings with U.S. persons;
“Secondary Sanctionable Activity”	certain activity by the Company that may result in the imposition of sanctions against the Relevant Person(s) by a Relevant Jurisdiction (including designation as a Sanctioned Target or the imposition of penalties), even though the Company is not incorporated or located in that Relevant Jurisdiction and does not otherwise have any nexus sutra that Relevant Jurisdiction;
“SFC”	the Securities and Futures Commission of Hong Kong;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
“Shandong Lcang”	Shandong Lcang International Logistics Inc. Corp. Ltd (山東樂艙網國際物流股份有限公司) (formerly known as Shandong Boya International Logistics Co., Ltd. (山東博亞國際物流有限公司), Qingdao Chuangxin International Freight Forwarding Co., Ltd. (青島創鑫國際貨運代理有限公司) and Qingdao Chuangxin Freight Forwarding Co., Ltd. (青島創鑫貨運代理有限公司)), a company established in the PRC with limited liability on November 16, 2004 and converted into a joint-stock company with limited liability on November 27, 2015 and an indirect non-wholly owned subsidiary of our Company;
“Shanghai Leyi”	Shanghai Leyi Logistics Co., Ltd. (上海樂易物流有限公司), a company established in the PRC with limited liability on October 10, 2020 and an indirect non-wholly owned subsidiary of our Company;

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## DEFINITIONS AND ACRONYMS

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“Shanghai Hanyun”	Shanghai Hanyun Network Technology Co., Ltd. (上海涵運網絡科技有限責任公司) (formerly known as Shanghai Han Yun Network Technology Co., Ltd. (上海涵運網絡科技股份有限公司)), a company established in the PRC with limited liability on March 23, 2015, and an indirect non-wholly owned subsidiary of our Company;
“Shanghai Rongcang”	Shanghai Rongcang Supply Chain Co., Ltd. (上海融倉供應鏈有限公司), a company established in the PRC with limited liability on April 19, 2018 and an indirect non-wholly owned subsidiary of our Company;
“Shanghai Sijin”	Shanghai Sijin Int’l Transport Co., Ltd. (上海絲金國際運輸有限公司), a company established in the PRC with limited liability on January 8, 1996 and an indirect non-wholly owned subsidiary of our Company;
“Share(s)”	ordinary share(s) with par value of US\$0.0001 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of our Share(s);
“Shenzhen Lcang Cross Border Supply Chain”	Shenzhen Lcang Cross Border Supply Chain Technology Co., Ltd. (深圳樂艙跨境供應鏈科技有限公司), a company established in the PRC with limited liability on May 10, 2022 and an indirect non-wholly owned subsidiary of our Company;
“Shenzhen Lcang International Logistics”	Shenzhen Lcang International Logistics Co., Ltd. (深圳樂艙國際物流有限公司), a company established in the PRC with limited liability on June 23, 2021 and an indirect non-wholly owned subsidiary of our Company;
	[REDACTED]
“Spring Wealth”	Spring Wealth Limited, a company incorporated in the BVI with limited liability on July 14, 2022 and one of our Controlling Shareholders, which is wholly owned by Ms. Liu;
“STA”	the State Taxation Administration of the PRC (中華人民共和國國家稅務總局);
	[REDACTED]



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## DEFINITIONS AND ACRONYMS

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“State Council” the State Council of the PRC (中華人民共和國國務院);

[REDACTED]

“Stock Exchange” The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchange and Clearing Limited;

“subsidiary(ies)” has the meaning ascribed to it under the Listing Rules;

“substantial shareholder(s)” has the meaning ascribed to it under the Listing Rules;

“Track Record Period” the years ended December 31, 2020, 2021 and 2022;

[REDACTED]

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

“U.S.” or “United States” the United States of America, its territories, its possessions and all areas subject to its jurisdiction;

“U.S. persons” U.S. persons as defined in Regulation S;

“U.S. Securities Act” the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time;

“VAT” value-added tax; all amounts are exclusive of VAT in this document except where indicated otherwise;

“we”, “us” or “our” the Company or the Group, as the context requires;

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## DEFINITIONS AND ACRONYMS

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[REDACTED]

“Wind Blue”	Wind Blue Limited, a company incorporated in the BVI with limited liability on July 19, 2022 and our Shareholder, which is wholly owned by Ms. Fan Fenglan (范風蘭), an Independent Third Party;
“Xiamen Lcang”	Xiamen Lcang International Logistics Co., Ltd. (廈門樂艙國際物流有限公司), a company established in the PRC with limited liability on April 27, 2022 and an indirect non-wholly owned subsidiary of our Company; and
“Zhangjiagang Lechang”	Zhangjiagang Lechang Network Technology Co., Ltd. (張家港樂昶網絡科技有限公司), a company established in the PRC with limited liability on February 4, 2021 and an indirect non-wholly owned subsidiary of our Company.

*Unless the content otherwise requires, references to “2019”, “2020” and “2021” in this document refer to our financial year ended December 31 of such year, respectively.*

*Certain amounts and percentage figures included in this document were subjected to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

*For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in the document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are provided for identification purposes only.*

*For the purpose of this document, references to “provinces” of China include provinces, municipalities under direct administration of the central government and provincial-level autonomous regions.*

## GLOSSARY OF TECHNICAL TERMS

*In this document, unless the context otherwise requires, explanations and definitions of certain terms used in this document in connection with our Group and our business shall have the meanings set out below. The terms and their meanings may not always correspond to standard industry meaning or usage of these terms.*

“AI”	artificial intelligence
“bill of lading”	a legal document that serves as evidence of the contract for the seaborne transportation, receipt of goods by carrier and document of title
“blockchain”	a shared, immutable ledger that facilitates the process of recording transactions and tracking assets in a business network
“bunkers”	fuel for vessels
“carrier”	the person by whom or in whose name a contract of carriage of goods by sea has been concluded with a shipper
“charter”	the chartering or hiring of a vessel for a certain purpose at a fixed rate for a fixed period of time or for a designated voyage
“China Average Composite Containerized Freight Index”	the average value of the composite index representing the most current freight rates for 12 container transportation shipping routes departing from China’s main ports for a period of a year. It is formulated by Shanghai Shipping Exchange
“classification”	a type of certification confirming that the structures and facilities of a vessel comply with the requirements set by a classification society, which is believed to lend credential to the vessel’s safety and reliability
“consignee”	the person who is entitled to take delivery of goods pursuant to the bill of lading
“container”	a weatherproof box designed for freight shipment
“cross-border logistics”	products transfer among countries around the globe

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## GLOSSARY OF TECHNICAL TERMS

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“customs clearance”	the process of declaring imports and exports to customs and related authorities for approval
“depot”	yards for stacking of containers
“GMV”	gross merchandise value
“IMO”	International Maritime Organization, a United Nations agency that issues international standards for shipping
“IoT”	Internet of Things
“ISM Code”	International Safety Management Code, an international code for the safe management and operation of ships and for pollution prevention issued by the IMO applicable to international route vessels and shipping companies (ship management companies, bareboat charters and shipowners)
“NVOCC”	Non-Vessel Operating Common Carriers (無船承運人)
“RFID”	Radio Frequency Identification, an application of electromagnetic fields to transfer electronically stored data which helps with identifying and tracking tags attached to objects
“shipper”	the person by whom or in whose name or on whose behalf a contract of carriage of goods by sea has been concluded with a carrier
“slot”	space on board a vessel occupied by a container
“stevedore”	a port operator who is designated to facilitate the operation of loading and discharging vessels and various other related operating activities
“TEU”	twenty-foot equivalent unit, a standard unit of measurement of the volume of a container with a length of 20 feet, height of eight feet six inches and width of eight feet
“time charter”	a form of charter where the vessel owner provides a manned vessel to the charterer, and the charterer employs the vessel during the contractual period for the agreed service against payment of hire
“top 100 fleet operators”	the top 100 fleet operators ranked by Alphaliner in terms of container shipment capacity as of the latest month

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## FORWARD-LOOKING STATEMENTS

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*We have included in this document forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.*

This document contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words “aim”, “anticipate”, “believe”, “could”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals and our ability to successfully implement these strategies, plans, objectives and goals;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and market in which we operate;
- our financial condition and operating results and performance;
- the effects of the global financial markets and economic crisis;
- our ability to reduce costs and offer competitive prices;
- our ability to attract customers and build our brand image;
- our dividend policy;

## FORWARD-LOOKING STATEMENTS

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- our ability to attract and retain senior management and key employees;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends;
- certain statements in the sections headed “Business” and “Financial Information” of this document with respect to trends in prices, operations, margins, overall market trends, and risk management; and
- other statements in this document that are not historical facts.

This document also contains market data and projections that are based on a number of assumptions. The markets may not grow at the rates projected by the market data, or at all. The failure of the markets to grow at the projected rates may materially and adversely affect our business and the [REDACTED]. In addition, due to the rapidly changing nature of the PRC economy and the cross-border logistics industries, projections or estimates relating to the growth prospects or future conditions of the markets are subject to significant uncertainties. If any of the assumptions underlying the market data prove to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

We do not guarantee that the transactions and events described in the forward-looking statements in this document will happen as described, or at all. Actual outcomes may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risks and uncertainties set forth in “Risk Factors” in this document. You should read this document in its entirety and with the understanding that actual future results may be materially different from what we expect. The forward-looking statements made in this document relate only to events as of the date on which the statements are made or, if obtained from third-party studies or reports, the dates of the respective studies or reports. Since we operate in an evolving environment where new risks and uncertainties may emerge from time to time, you should not rely upon forward-looking statements as predictions of future events. We undertake no obligation, beyond what is required by law, to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made, even when our situation may have changed.

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*You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an investment in our Shares. These risks could materially and adversely affect our business, financial condition and results of operations. The trading price of our Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, financial condition and results of operations. You should seek professional advice from relevant advisors regarding your prospective investment in the context of your particular circumstances.*

### **RISKS RELATING TO OUR BUSINESS AND INDUSTRY**

**The cyclical nature of the cross-border logistics service industry could have a material and adverse effect on our business and results of operations.**

The cross-border logistics service industry can be highly volatile and cyclical. According to Frost & Sullivan, factors that affect the cross-border logistics service industry may include (i) changes in demand for products transported globally; (ii) global and regional economic and political conditions; (iii) developments in global and regional trade; (iv) trade restrictions, sanctions, boycotts and trade and labor disputes; (v) changes in seaborne and other transportation patterns; (vi) currency exchange rates; and (vii) extreme weather conditions.

Furthermore, the cross-border logistics service industry is cyclical as the balance between demand and supply fluctuates. It takes time for logistics service providers to respond to demand changes, as lead time between placing orders for acquiring container ships, trains or planes and the delivery of such assets typically takes years.

The abovementioned factors that affect the cross-border logistics service industry are beyond our control. The nature, timing and degree of changes in industry conditions are unpredictable. Any changes in these factors could lead to significantly lower freight rates, which in turn could materially decrease our revenue and reduce our profitability.

**A slowdown or adverse development in regional or global economy may adversely affect the demand for our services and our business in general.**

We mainly operate cross-border logistics services between China and countries across the globe. The COVID-19 pandemic has had a severe and negative impact on the regional and global economy. The growth of the regional and global economy has slowed in recent years. It is uncertain that whether the COVID-19 pandemic would lead to a prolonged downturn in the economy. Even before the COVID-19 pandemic, the global macroeconomic environment was facing various challenges, such as the economic slowdown in the Europe since 2014, uncertainties over the impact of Brexit and the ongoing global trade disputes and tariff disputes.

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Moreover, there are considerable uncertainties over the long-term effects of the monetary and fiscal policies adopted by the central banks and financial authorities of some of the world’s leading economies, including the United States and China, which may cause the downward trend of regional and global economy to continue. Regional economic conditions are sensitive to global economic conditions, changes in domestic economic and political policies as well as the expected overall economic growth rate.

It is unclear that whether these challenges and uncertainties will be effectively managed or resolved and what effects they may have on the global political and economic conditions in the long term. Any economic downturn or slowdown or negative business sentiment could have an indirect potential impact on our industry. As a result, our business operations and financial performance may be adversely affected.

### **We may not sustain our historical growth.**

Our revenue was RMB781.5 million, RMB4,195.4 million and RMB4,607.9 million for 2020, 2021 and 2022, respectively. Furthermore, our gross profit margin was 8.2%, 10.9% and 11.8% for 2020, 2021 and 2022, respectively. Such growths in our revenue and gross profit margin only reflect our past performance under particular conditions. They do not necessarily reflect our financial performance in the future, which will largely depend on our capability to (i) secure new orders, (ii) control our costs and expenditures, and (iii) cope with the changing demand and requirements from customers, intense market competition, and the impact of COVID-19 on the regional and global economy, and our industry, the fuel prices and other direct or indirect costs.

### **We require a substantial amount of working capital to sustain our business.**

We require a substantial amount of working capital to cover, among other things, freight fees paid to third parties, vessel chartering costs for our self-operated cross-border seaborne transportation service, port charges, container costs and bunker costs. As of December 31, 2020, 2021 and 2022, we recorded cash and cash equivalents of RMB50.7 million, RMB190.0 million and RMB340.0 million, respectively. In addition, we purchased four second-hand container vessels with a total capacity of 4,109 TEUs for consideration of approximately RMB95.8 million and entered into an agreement to order two first-hand ultra large container vessels, each with a capacity of 14,700 TEUs, for a total consideration of US\$281.0 million. If we fail to maintain a sufficient level of working capital to sustain our business operations, our financial condition and results of operations could be adversely affected.

### **Our prospects may be adversely affected by COVID-19 or other adverse public health developments.**

Since early 2020, a growing number of countries and regions around the world have encountered an outbreak of COVID-19, a highly contagious disease known to cause respiratory illness. In March 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic. In order to contain COVID-19, the governments in many countries had introduced



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a series of precautionary measures, primarily including work resumption restrictions on enterprises, traffic control, travel bans, management and control over commencement schedules of construction in new and existing property development sites and quarantining affected areas. As a result, there had been lockdowns at workplaces and places of commerce in major ports around the world. In addition, the COVID-19 related travel and border restrictions, and the widespread suspension of international flights, have significantly impacted the ability of ship operators to conduct crew changes. Seafarers may not be able to embark on vessels or disembark when their crew member contracts expire because of restrictive quarantine rules worldwide. The restrictive measures may severely affect and restrict the level of economic activities, which, along with the disruption of business in major industries, may adversely and materially affect the overall business sentiment and environment, which in turn may lead to slower overall economic growth in the countries where we have business operations.

In respect of our cross-border logistics services, we have undergone impacts caused by the COVID-19 pandemic such as shortage of shipping materials, lowered factory production of consumption goods to be shipped overseas and lack of operation personnel in various aspects of our business.

### **We face intense competition which could adversely affect our results of operations and market share.**

The cross-border logistics service industry is highly competitive. Our cross-border logistics services encompass a wide range of services. As a result, we may compete with a broad range of service providers in our industry. Specifically, there are multiple existing market players that offer cross-border logistics services. There may also be new entrants emerging in each of the jurisdictions that we operate in. These market players compete to attract, engage and retain consumers and merchants. These market players may have greater financial, technological, research and development, marketing, distribution, and other resources than we do. They may also have longer operating histories, larger customer bases or broader and deeper market coverage. As a result, our competitors may be able to respond more quickly and effectively to new or evolving opportunities, technologies, standards or user requirements than we do and may have the ability to initiate or withstand significant regulatory changes and industry evolution. Furthermore, when we expand into other geographic markets, we will face competition from new competitors, domestic or foreign, who may also enter geographic markets where we currently operate or will operate.

Any significant increase in competition may have a material adverse effect on our revenue and profitability as well as on our business and prospects. We cannot assure you that we will be able to continuously distinguish our services from those of our competitors, preserve and improve our relationships with various participants in the cross-border logistics service industry, or increase or even maintain our existing market share. We may lose market share, and our financial condition and results of operations may deteriorate if we fail to compete effectively.

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In addition, many service providers in the cross-border logistics service industry have consolidated in recent years to create larger enterprises with greater bargaining power, which has resulted in greater competitive pressures. If this consolidation trend continues, it could give the resulting enterprises even greater bargaining power, which may lead to further competitive pressures. New partnerships and strategic alliances in the cross-border logistics service industry also can alter market dynamics and adversely impact our businesses and competitive positioning. If we cannot equip ourselves with necessary resources and skills, we may lose market share as competition increases.

**The success of our business depends on our customers' business performance and their continuing demand for our services.**

Our customers' demand for cross-border logistics services largely depends on their business performance. Adverse developments in or influence over our customers' industry, business performance or strategies could therefore materially and adversely affect our business operations and financial condition. In addition, the successful implementation of our supply chain solutions and our related financial performance is dependent on the performance of our clients. Should our clients default in payment after we purchased goods on its behalf, we may experience losses arising from failure to collect payment for goods and decrease in market price of goods. Should there be any adverse development related to our customers' business operations or any other reasons resulting in reduction in demand for our services, our business, financial condition and results of operations would be adversely affected.

**Our business is subject to complex treaties, local laws and regulations.**

The cross-border logistics service industry is highly regulated. Our operations are subject to certain international conventions, treaties and national and local laws and regulations in force in the jurisdictions in which our logistics assets are operated, as well as in the jurisdictions in which our logistics assets are registered. These conventions, treaties, laws and regulations govern areas such as maritime operations, environmental protection, the release and management of hazardous materials, and human health and safety. For example, international and domestic transportation of goods are subject to a number of regulations, including licensing and financial security requirements, import and export regulations, security requirements, packaging regulations and notification requirements. In addition, if a vessel is unfit to proceed to sea or the deficiencies pose an unreasonable risk to the ship, its crew or the environment, the vessel may be detained by port state control officers. These regulations and requirements are subject to change based on new legislation and regulatory initiatives, which could affect the economics of the cross-border logistics service industry by requiring changes in operating practices or influencing the demand for, and the cost of providing, cross-border logistics services.

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With relevant treaties and regulations continuously changing, more expenditures may be required to ensure our business to be in compliance with pertinent treaties and regulations. Moreover, the activities of our customers are beyond our control, which may result in the violation of certain laws and regulations in relation to logistics activities. Should such violations occur, we may be involved in the litigation or other legal proceedings, incurring fees and expenses, and having our business, reputation, result of operations and financial condition materially and adversely affected.

**If there is a decrease in the demand of cross-border logistics in the markets where we operate, our business, results of operations and prospects may be materially and adversely affected.**

We cannot assure you that our service volume in the future will not decrease or fail to increase as rapidly as we expect due to factors such as economic downturns, changes in political conditions, deterioration of economic relationships, or other factors that may not be within our control. Adverse changes in the economic, financial and political conditions of any country where we provide significant cross-border logistics services would have an adverse effect on our business. In particular, we are a China-based company. Our business is closely related to PRC-originated export and import activities. As a result, an economic slowdown in the PRC, to the extent such a slowdown affects its trade with other countries, may materially and adversely affect our business, results of operations and future prospects. In addition, any trade restrictions, sanctions, boycotts and trade disputes including those involving the PRC or our counterparties could also materially and adversely affect our results of operations. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any sanctions. See “—Risks Relating to Conducting Business in China” on risks associated with doing business in the PRC.

Moreover, we have increasingly focused on providing services to e-commerce merchants. Nevertheless, the future results of operations of these e-commerce merchants will depend on numerous factors affecting the development of the e-commerce industry in China, which may be beyond our control, such as (i) the trust and confidence level of e-commerce consumers in countries where the e-commerce merchants do business, as well as changes in customer demographics and consumer tastes and preferences; (ii) the selection, price and popularity of products as well as promotions that the e-commerce merchants offer; (iii) whether alternative retail channels or business models better address the needs of consumers; and (iv) the development of fulfillment, payment and other ancillary services associated with online purchases. Any decline in the popularity of e-commerce may adversely affect the business prospects of e-commerce merchants, which may in turn adversely affect the business of our customers, and thus ultimately our revenue and business prospects may be adversely affected.

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**If we are unable to manage the capacity and/or terms of our chartered-in or chartered-out vessels effectively, our financial performance and results of operations may be adversely affected.**

The performance of our business depends on our effective management of the capacity and terms of our chartered-in or chartered-out vessels. We acquire capacity, which is crucial for us to carry out our business, either through chartered-in vessels or self-owned vessels. The management of capacity requires cost consideration and complex planning based on, among other things, assumptions and expectations on market trends, which may turn out to be different from time to time. Should we fail to accurately predict market trends, we may suffer mismatch of capacity as the market fluctuates. Moreover, the terms of our chartered-in or chartered-out vessels also require cost consideration and complex planning. Certain circumstances, such as a late redelivery of vessels by the previous charterers, failure to deliver vessels to us timely by the shipowners or force majeure events, may lead to a mismatch between the term of a charter period and the term needed to complete a voyage. In the event that such circumstances occur and we fail to effectively manage our capacities and/or terms of our chartered-in or chartered-out vessels, our operating results and financial performance may be adversely affected.

**We may be unable to obtain adequate cargo space to meet our customers' needs.**

We typically obtained cargo space from carriers through a series of arrangements. Pursuant to the relevant agreements, we may procure cargo space on specified routes for an agreed freight carriage capacity during the term of the agreements. If we wish to obtain more cargo space than the capacity obtained under the agreements, such additional cargo space will be procured according to the latest market price, and there is no guarantee that we will be able to obtain such additional cargo space. Further, other than the cargo space previously agreed, cargo space offered by our suppliers is on a first-come-first-served basis with no guaranteed supply of cargo space. There is no assurance that we will be able to source cargo space within our customers' expected timeframe cost-effectively. We encountered shortage of cargo space during the Track Record Period when shipping capacity was tight. Such shortage of cargo space did not result in any compensation to our customers as we had negotiated with our customers to solve the shortage issue. We cannot guarantee that this will not happen again in the future. If we cannot obtain sufficient cargo space from our suppliers to meet our customers' demand, in particular during peak seasons, our reputation within the industry could be damaged.

**The political relationships between China and other countries or regions, especially the ongoing tension between China and the United States, may affect our business operations.**

Our business is affected by the global political and economic environment. Any downturn or change in such environment may affect our business and increase our operating costs and lower our profit margin, leading to material adverse effects to our business, results of operations and profitability. In particular, the U.S. government has been implementing import tariffs and/or restrictions on goods from the PRC since July 2018, and the PRC has also been implementing similar measures against goods from the U.S. in response. Any uncertainty surrounding any existing or new tariffs and/or trade restrictions and the continuous impact on the global economy brought by the Sino-U.S. tension may affect the demand for cross-border logistics services in the long-term. If the Sino-U.S. tension continues to escalate, it could cause a detrimental effect to our business and results of operation.

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## RISK FACTORS

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**If we are unable to manage our expansion effectively, our business prospects and results of operations may be materially and adversely affected.**

The successful implementation of our expansion plan may be affected by a number of factors including the availability of sufficient funds, government policies relevant to our industry, economic conditions, entrant barriers of the new market, our ability to maintain our existing competitive advantages, our relationships with our customers and the threat of substitutes and new market entrants. There is no assurance that the expansion plan can be implemented in a timely and successful manner. Should there be any material adverse change in our operating environment, or if we are not able to foresee any adverse condition or barrier in the new market, which results in our failure to implement any part of our expansion plan, the growth in our service capacity will be negatively impacted, resulting in future capacity constraints for us. Consequently, our ability to capture future service orders will be curtailed, resulting in an adverse impact on our prospects. Any material adverse change in our operating environment resulting in our failure to fully implement our expansion plan may also adversely affect our financial condition and prospects.

In addition, the successful implementation of our business strategies and future plans as described in “Business—Our strategies” and “Future Plans and [REDACTED] in this document is (i) based on circumstances currently prevailing and bases and assumptions that certain circumstances will or will not occur; and (ii) dependent on a number of factors including the availability of funds, increasing demand for our services, our ability to expand our business and to retain and recruit competent management and employees. Some of the factors are beyond our control and are subject to uncertainty by nature, such as the general market conditions in China, the United States and other parts of the world, and the changes in government policy or regulatory regime of the cross-border logistics service industry. There is no assurance that our business strategies and future plans can be implemented successfully. Any failure or delay in the implementation of any or all of these strategies and plans may have a material adverse effect on our profitability and prospects.

**We face risks associated with our global expansion.**

We are continuing to expand our operations into additional international markets. However, offering our services in a new geographic area may involve numerous risks and challenges. There can be no assurance that we will succeed or achieve any return on these expansion efforts.

Continued expansion around the world exposes us to risks such as:

- difficulties in achieving market acceptance of our services in different geographic markets with different business dealing history;
- difficulties in achieving rapid marketing growth in certain other countries where we commit fewer sales and marketing resources;

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- difficulties in managing operations due to language barriers, distance, staffing, user behavior and spending capability, cultural differences, business infrastructure constraints, and laws regulating corporations that operate globally;
- application of laws and regulations of other jurisdictions;
- potential adverse tax consequences associated with foreign operations and revenues;
- complex foreign exchange fluctuation and associated issues;
- credit risk and higher levels of payment fraud;
- political and economic instability in some countries;
- restrictions on monetary flows; and
- reduced or ineffective protection of our intellectual property rights in some countries.

As a result of these obstacles, we may find it impossible or too expensive to enter additional geographic markets, or our entry into additional geographic markets could be delayed, which could hinder our ability to grow our business.

**If we fail to adopt new technologies to cater to changing customer requirements or emerging industry standards, our business may be materially and adversely affected.**

In order to keep up with the latest developments and trends in the cross-border logistics service industry and respond to the evolving needs and preferences of our customers, we are required to upgrade our existing technologies, invest in new technologies and introduce new services from time to time, which could incur significant expenditures and may be subject to licensing or other regulatory requirements.

If we cannot anticipate or adapt to the latest technological developments or market trends in the cross-border logistics service industry, we may not be able to meet our customers' expectations and evolving needs, and the demand for our services may decline. Furthermore, if our competitors are more sensitive to changes in customer preferences or more responsive to emerging technology in the industry, our cross-border logistics services may become less competitive. In addition, there is no assurance that we will be able to recover the expenditures associated with the upgrade of existing technologies and the purchase of new technologies. Moreover, rapid technological improvements could, at times, lead to earlier-than-planned obsolescence or redundancy of equipment and result in impairment charges. Any of these circumstances may adversely affect our results of operations, financial condition and growth prospects.

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### **Failure in our internet service system could adversely affect our operations.**

Our internet service system is a one-stop system on which our customers can order our cross-border logistics services and manage their orders. Our internet service system allows various traditionally offline procedures, including checking the shipping prices, booking vessel slots, tracking the status of the orders, managing bills of lading and invoices and account reconciliation, to be handled by our customers autonomously online. Our services are highly dependent on our ability to communicate with our customers and manage information and instructions such that we can perform our work effectively and within the time required by our customers. For the year ended December 31, 2022, more than 85.0% of our transactions in terms of order volume were completed or served by our internet service system. See “Business—Our Internet Service System.” If we fail to maintain, protect, and enhance our internet service system, we may be at a competitive disadvantage and lose customers.

In addition, the continued automation of existing processes and usage of third-party technology and cloud network capacity will require adaptation and adjustments that may increase our exposure to cybersecurity risks. Any failure in the IT systems due to faulty interaction with the systems of our customers or other cross-border logistics service industry players, viruses, unauthorized access, wear and tear, failures on the part of internet service providers or other unforeseeable factors could have adverse impact on our operational performance. As such, loss for which we are not adequately insured could also materially affect our financial results. Although it is difficult to determine what, if any, harm may directly result from any specific interruption or attack, a significant impact on the performance, reliability, security, and availability of our operating systems and technical infrastructure to the satisfaction of our customers may harm our reputation, impair our ability to retain existing customers or attract new customers, and expose us to legal claims and government action. Such harm could have a material adverse impact on our financial condition, results of operations, and growth prospects.

### **Our internet service system may not grow as planned.**

As part of our strategy, we intend to allocate significant resources to the upgrade and growth of our internet service system to meet the anticipated increase in service volume and increase the competitiveness of our services. In particular, we plan to (i) upgrade and promote our existing websites; (ii) upgrade and maintain our existing technology systems; (iii) invest in automation technologies; (iv) invest in big data analysis; (v) establish an intelligent customer service system; (vi) establish an intelligent workflow system; and (vii) upgrade our intelligent risk control platform. See “Future Plans and [REDACTED]” However, we cannot assure you that our internet service system will be developed successfully to meet our customers’ expectations. In the event that our internet service system fails to meet our need or grow as planned, our business, results of operations, financial condition and growth prospects may be adversely affected.



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**Any shortage of capable personnel in cross-border logistics service industry may lead to port congestions.**

Labor disputes or strikes in the cross-border logistics service industry could cause shortage of capable personnel, which could disrupt or hinder our business operations. Like other operators in the cross-border logistics service industry, we rely upon third-party employees, such as stevedores at ports, as part of our day-to-day operations. Industrial action or other labor unrest with respect to such external labor could prevent or hinder our normal operating activities, and, if not resolved in a timely manner, could lead to decreases in our revenue. These actions are impossible for us to predict or control. For instance, the port congestions in the ports of Long Beach and Los Angeles in 2020 were caused by labor strikes. Such port congestions resulted in unusual waiting-for-berth periods. For example, according to Frost & Sullivan, the average delay for the China-Americas route were longer than five days from January 2021 until mid 2022. We cannot assure you that such strikes would not occur in the future.

**Changing fuel costs and interruptions of fuel supplies may reduce our profitability.**

Fluctuating fuel prices and interruptions of fuel supplies may reduce our profitability. Fuel represents a sizable cost to the cross-border logistics service industry. Hence, an increase in fuel prices may increase our costs. In the event that we fail to transfer such costs to our customers, our profitability may be adversely affected. The cost of fuel can fluctuate significantly and is subject to many economic and political factors that are beyond our control, primarily including the political instability in oil-producing regions and geopolitical landscape.

**Newbuilding projects are subject to risks that could cause delays, cost overruns or cancelation of our newbuilding contracts and could incur significant indebtedness and outflow of cash.**

The cross-border logistics service industry is competitive. We have entered newbuilding contracts for new vessels during the Track Record Period and may continue to do so in the future to supplement our existing vessel fleet to satisfy our customers’ needs and maintain our market position. In June 2022, we entered into an agreement to order two first-hand ultra large container vessels, each with a capacity of 14,700 TEUs. These vessels are expected to be delivered around 2025. There may be delay in delivery of these new vessels resulting from numerous factors, including (i) shortages of equipment, materials or skilled labor, (ii) unscheduled delays in the delivery of ordered materials and equipment or shipyard construction, (iii) failure of equipment to meet quality and/or performance standards, (iv) financial or operating difficulties experienced by equipment vendors or the shipyard, (v) unanticipated actual or purported change of orders, (vi) inability to obtain required permits or approvals, (vii) unanticipated cost increases between order and delivery, (viii) design or engineering changes, (ix) work stoppages or other labor disputes and (x) adverse weather conditions or any other events of force majeure. Significant cost overruns or delays could have



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a material adverse effect on our business, financial condition, cash flows and results of operations. Additionally, failure to complete a project on time may result in the delay of revenue from that vessel, which in turn, could have an adverse effect on our profitability and financial condition.

Moreover, our investment in vessels could incur significant indebtedness and outflow of cash. To maintain our competitive position, we will need to continue to invest significant financial resources in maintaining and purchasing vessels, which may lead to material indebtedness and outflow of cash of our Group. If our investment in vessels turns out to be unsuccessful or below our expectation, our business, results of operations, financial condition and growth prospects may be adversely affected due to subsequent indebtedness and outflow of cash.

### **We face risks associated with purchasing second-hand vessels and chartering in vessels from third parties.**

We purchased second-hand vessels to expand our vessel fleet during the Track Record Period. Second-hand vessels may have latent defects of which we are not aware at the time of purchase. These defects may subsequently result in significant repair expenses or disruption of voyages. Furthermore, a second-hand vessel may not have all features we would be able to have from chartering in a new vessel. If the second-hand vessels which we purchased are defective and/or performing at a level below our expectations, we may require a substantial period of time as well as spend significant resources to replace or upgrade such vessels. Upon the occurrence of any of these events, our service volume, results of operations and financial condition may be materially and adversely affected.

We also chartered in three vessels as part of our vessel fleet as of December 31, 2022. Should there be any increases of expenses in the vessel charter market, we may incur higher costs more immediately compared to our competitors with more self-owned vessels or those enter into charters with longer terms, when we extend these existing charters or replace them with new charter parties. This may have an adverse effect on the competitiveness of our business operations and overall financial results.

### **When our own vessels age, our operating costs may increase in the future, which could adversely affect our profitability.**

In general, the cost of maintaining a vessel in a good operating condition increases with the age of the vessel. As our own vessels age, we will incur increased costs. Older vessels are typically less fuel efficient and more costly to maintain than more recently constructed vessels due to improvements in engine technology. Cargo insurance rates increase with the age of a vessel, making older vessels less desirable to charterers. Governmental regulations and safety or other equipment standards related to the age of vessels may also require expenditures for alterations or the addition of new equipment to our vessels. Such regulations and standards may

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also restrict the type of activities in which our vessels may engage. We cannot assure you that, as our vessels age, market conditions will justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives.

**Our insurance may be insufficient to cover all losses associated with our business operations.**

We have obtained or caused relevant counterparties to obtain insurance to cover certain potential risks and liabilities. We maintain various insurance policies at both global and local operational levels to provide insurance coverage relating to third-party liability, losses from fire, transportation risks, property loss and damage and workers’ compensation for injury and death, which are commonly insured. For more details, please refer to “Business—Insurance”. During the Track Record Period and up to the Latest Practicable Date, we purchased kidnap and ransom insurance and loss of hire insurance when vessels planned to travel through high-risk regions. In addition, it is common for our suppliers to maintain various insurance policies which cover the goods and containers being transported. However, there can be no assurance that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policies on a timely basis. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

**If we fail to attract new customers efficiently, or to maintain relationships with existing customers, our business and results of operations could be adversely affected.**

Our continued success requires us to maintain our existing customers and develop new relationships. We cannot guarantee that our customers will continue to use our services in the future or at the current level. We may be unable to maintain or expand our relationships with existing customers or to obtain new customers on a profitable basis. Upon the expiration of our existing contracts, we cannot assure you that our customers will be able to renew the contracts on favorable terms, or if at all, or that we will be able to attract new customers. Any adverse effect would be exacerbated if we lose one or more of our significant customers.

During the Track Record Period, sales to our five largest customers in each year represented approximately 19.0%, 9.6% and 10.3% of our total revenue for the respective years, and sales to our largest customer in each year represented approximately 5.9%, 2.1%, and 2.3% of our total revenue for the respective periods. There is no assurance that we may not become dependent upon a few key customers in the future such that we would generate a significant portion of our revenue from a relatively small number of customers. Any inability to retain or replace our major customers may have a material adverse effect on our business, financial condition and results of operations.

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### **Difficulty in forecasting demand of our customers could adversely impact our margins and operating results.**

Customer satisfaction of our business depends upon our ability to meet the unpredictable customer demand and requirements. A significant portion of our revenue is derived from customers in industries whose shipping patterns are dependent upon just-in-time production schedules. Therefore, the timing of our revenues is, to a large degree, impacted by factors beyond our control, such as a sudden change in consumer demand for retail goods, changes in trade tariffs, product launches and/or manufacturing production delays.

Volatile market conditions can create situations where we are given little or no prior notice when carriers and other service providers increase their prices. We often cannot pass these price increases on to our customers in the same fiscal year, if at all. As a result, our margins and operating results can be negatively impacted.

### **We face risks relating to acquisition, investments and alliances.**

We may invest and enter into acquisitions and alliances from time to time. For example, we acquired Shanghai Sijin in 2019 in an effort to boost our cross-border logistics services. Such endeavors may involve significant risks and uncertainties, including distraction of management from current operations, greater-than-expected liabilities and expenses and unidentified issues not discovered in our due diligence. These new ventures are inherently risky and may not be successful. In addition, upon the completion of an investment or acquisition, we may allocate significant resources to the integration of new business into our existing business to realize synergetic benefits. The integration process involves risks and uncertainties, some of which are out of our control, and there can be no assurance that we will be able to realize the anticipated benefits, synergies, cost savings or efficiencies.

### **Increases in the operating costs of third-party service providers or failure to maintain partnerships with them may adversely affect our business.**

We rely on certain third-party service providers, such as shipping carriers, trucking companies, railway companies, warehousing service providers, customs brokers, vessel chartering companies, container suppliers and bunker suppliers, to provide services to our customers. Many of our third-party service providers are subject to increasingly stringent laws, which could, directly or indirectly, have a material adverse effect on our business. Future regulatory developments of the cross-border logistics service industry in China, the United States and other countries could adversely affect their operations and increase operating costs of the upstream suppliers, which in turn could increase our logistics-service costs. If we are unable to pass such costs on to our customers, our business and results of operations could be materially and adversely affected.

Changes in the financial stability, operating capabilities and capacity of our third-party service providers and capacity allotment available to us may affect us in unpredictable ways. For example, any combination of reduced carrier capacity or availability, pricing volatility or

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more limited carrier shipping schedules, shipwreck or other accidents, or congestion of trade lanes or ports, could further negatively affect our ability to execute services and maintain profitability. In addition, relief measures extended by certain governments may also affect our third-party service providers' financial stability and ability to provide services, which we cannot predict.

We have limited control over the quality of services provided by these service providers. In the event that they fail to meet the expectation of our customers in terms of delivery time, transportation process and cargo handling procedures, which may cause delay in delivery or damages in cargo during the transportation process, our business and reputation may be harmed. In addition, any illegal actions, material misconduct or non-compliant conduct by these service providers or their employees may also adversely affect our business and reputation.

### **Our results of operations are subject to seasonal fluctuations.**

According to Frost & Sullivan, customer demand for logistics services can be highly seasonal with the traditional peak being the third quarter of each year for the China-Americas and the China-Europe shipping routes, as overseas sellers are to prepare for the Christmas and New Year holidays. According to Frost & Sullivan, the traditional peak season for the China-Asia shipping routes is the fourth quarter and before Chinese New Year. On the other hand, customer demand for logistics services can be relatively low during certain periods of each year. If we were to experience a lower-than-expected revenue during any such periods, whether from a general decline in economic conditions or other factors beyond our control, our expenses may not be offset, which would have a disproportionately adverse impact on our operating results and financial condition for that period.

### **If we fail to obtain sufficient funding for our business expansion, our business, results of operations, financial condition and growth prospects may be adversely affected.**

Participants in the cross-border logistics service industry generally require a substantial amount of capital expenditure towards business expansion. Our ability to arrange financing is dependent on a number of factors, some of which are beyond our control, including general economic and capital market conditions, credit availability from banks or other lenders, receipt of the necessary governmental approvals, investors' confidence in us, the performance of the cross-border logistics service industry in general, our operating and financial performance in particular, as well as any legal and regulatory restrictions. We cannot assure you that we will be able to obtain future financing on terms that are acceptable to us or at all. In the event that financing is not available or is not available on terms acceptable to us, our business, results of operations, financial condition and growth prospects may be adversely affected.

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### **Our indebtedness could adversely affect our liquidity and profitability.**

As a cross-border logistics service provider, we have significant indebtedness, particularly indebtedness incurred in connection with financing purchases of logistics assets. As of December 31, 2022, we had total outstanding bank and other borrowings of RMB66.9 million, and a gearing ratio of 8.6%. Our ability to make scheduled payments on our indebtedness and maintain our liquidity will depend heavily on our future operating performance and cash flow, which in turn depend on numerous factors, such as market demand for cross-border logistics services. We cannot assure you that we will continue to generate sufficient cash flow in the future to service our debt. If we are unable to make timely payment with respect to some or all of such indebtedness, we may need to renegotiate with the lenders or to obtain additional equity or debt financings. There can be no assurance that any of these alternatives could be effected on satisfactory terms or without breach of the terms and conditions of then existing financing transactions. Consequently, our business, results of operations and financial condition could be adversely affected.

### **We recorded net current liabilities as of December 31, 2020. There can be no assurance that we will record net current assets in the future.**

We recorded net current liabilities of RMB18.8 million as of December 31, 2020. Our net current liability position as of December 31, 2020 was primarily due to an increase in trade payables and interest-bearing bank and other borrowings as of the same date. There can be no assurance that we will be able to record net current assets in the future. If we record net current liabilities, we may face a deficiency of working capital and may not be able to service short term debts. Any of these events could have a material adverse impact on our business and results of operations.

### **Increases in interest rates may adversely affect our results of operations.**

Like many other participants in the cross-border logistics service industry, we may rely on bank borrowings to finance the purchases of vessels or shipping containers. An increase in the interest rates of our loans may result in a significant increase in our interest expense, adversely affecting our finance costs, which in turn may affect our business and profitability. There can be no assurance that our interest rate exposure will be effectively reduced, if at all, through the entering of these transactions. If structured improperly, certain derivative financial instruments may increase our exposure to interest rate fluctuations.

### **We may be exposed to credit risk associated with our trade receivables.**

Our trade receivables primarily represent the outstanding amounts receivable by us from our third-party customers. As of December 31, 2020, 2021 and 2022, the carrying amount of our trade receivables was RMB117.3 million, RMB311.3 million and RMB149.1 million, respectively, and the impairment of our trade receivables was RMB5.2 million, RMB6.4 million and RMB15.8 million, respectively. See “Financial Information—Description of Certain Items of Consolidated Statements of Financial Position—Trade Receivables” for details. We

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may not be able to collect all such trade receivables due to a variety of factors that are out of our control. For example, if our relationship with any of our customers deteriorates or terminates, or if any of them experiences any difficulty in their operations or a decrease in their business or financial performance for any reasons, our customers may delay or default in their payment. As a result, we may not be able to fully recover the outstanding amounts due from them, or at all. Notwithstanding that we had recorded loss allowances on our trade receivables, if we are not able to manage the credit risk associated with our trade receivables, our cash flows and results of operations may be materially and adversely affected.

### **We are subject to credit risk arising from our prepayments and other receivables.**

Our prepayments and other receivables primarily consist of prepayment, deposit and consideration receivables for disposal of containers. As of December 31, 2020, 2021 and 2022, our prepayments and other receivables was RMB14.6 million, RMB327.6 million and RMB426.5 million, respectively. We recorded prepayments and other receivables of RMB327.6 million as of December 31, 2021, primarily because we recorded consideration receivables for disposal of containers. Our prepayments and other receivables increased to RMB426.5 million as of December 31, 2022, primarily due to the prepayment for purchase of container vessels of RMB377.2 million. There is no guarantee that the counterparties of our prepayments, deposit and consideration receivables for disposal of containers will perform their obligations or in a timely manner, and we are subject to impairment risk in relation to our prepayments and other receivables. In 2020 and 2021, we recognized impairment losses for other receivables amounting to RMB44,000 and RMB0.9 million, respectively. In 2022, we recognized reversal of impairment losses for other receivables amounting to RMB0.6 million.

We cannot assure you that we will be able to collect all or any of our prepayments and other receivables on time, or at all, if relevant counterparties delay or even default in performing their obligations. As a result, we make allowances for impairment losses of prepayments and other receivables when we determine the chances of recovering the relevant amounts due are remote. We conduct assessments on the recoverability of prepayments and other receivables based on, among others, our historical settlement records, our relationship with relevant counterparties, payment terms, market trends and to a certain extent, the macro-economic and regulatory environment, which involve the use of various judgments, assumptions and estimates by our management. We made impairment allowances for prepayments and other receivables of RMB0.6 million, RMB1.5 million and RMB0.8 million as of December 31, 2020, 2021 and 2022, respectively. As our management’s estimates and related assumptions were made in accordance with information available to us at the time the allowance was determined, there is no assurance that our expectations or estimates will remain accurate for the future. If we are not able to recover the amount as scheduled, we may need to make allowance for impairment of prepayments and other receivables, and our business, financial condition and results of operations may be adversely affected.



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**Impairment of our goodwill and other intangible assets could negatively affect our reported results of operations.**

During the Track Record Period, we recorded goodwill primarily in connection with our acquisition of 75% of equity interest in Shanghai Sijin. 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. We recorded intangible assets, mainly software, with a net carrying amount of RMB2.8 million, RMB2.2 million and RMB2.1 million as of December 31, 2020, 2021 and 2022, respectively.

We initially measure goodwill at the excess of the aggregate of the consideration transferred. After initial recognition, we measure goodwill at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. We initially measure intangible assets at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Intangible assets are assessed for impairment when there is an indication that the intangible assets may be impaired. If we determine that our goodwill and intangible assets are to be impaired, we would be required to write down the carrying value or record charges to earnings in our financial statements during the period in which our goodwill and intangible assets are determined to be impaired, which would materially and adversely affect our results of operations.

**We may not be able to fulfill our obligations in respect of contract liabilities, which may have material and adverse impact on our results of operations and liquidity position.**

Our contract liabilities primarily consist of advance service fees from customers of cross-border logistics services. We recorded contract liabilities of RMB7.8 million, RMB39.3 million and RMB19.6 million as of December 31, 2020, 2021 and 2022, respectively. In the event that we are unable to fulfill our obligation in respect of the contract liabilities, such as failing to deliver cargo to destinations as agreed between our customers and us, we may be required to return the corresponding portion of payment received from our customers, which may adversely affect our cash flow and liquidity position. In addition, we may not be able to convert such contract liabilities into revenue, which may in turn adversely affect our business performance and results of operations. Failure in fulfilling our contractual obligations may also adversely affect our relationship with such customers, which may adversely affect our reputation and results of operations in the future.

**Increased requirements regarding licenses, registrations and approvals and increasingly stringent legislations could cause disruptions to our business and increase our operating costs.**

The cross-border logistics service industry is regulated by specific legislations regulating freight transportation, customs clearance, warehousing and container depot operations. To undertake such businesses, various registrations, approvals and licenses are required to be obtained from regulatory authorities. For example, as of the Latest Practicable Date, we

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obtained the NVOCC qualification in China and in the United States, and International Liner Shipping Qualification Registration Certificate in China. The validity of our certain licenses and permits are subject to renewal and timely update of relevant information registered therein. With increasing requirements regarding licenses and permits for our cross-border logistics services, the future costs and difficulties of complying with the conditions for the approval or renewal of such licenses and permits cannot be ascertained. As a result, if the relevant governmental authorities promulgate new laws and regulations that require additional approvals or licenses that are unfavorable to us, we could be subject to operational disruption and our financial condition and results of operations could be adversely affected.

**Any challenge by third parties or government authorities over our right to use our leased properties or failure to renew our current lease may adversely affect our business operations.**

Some of the lessors of our leased properties have not provided us with their property ownership certificates or other documentation proving their right to lease those properties to us. If our lessors are not the owners of the properties and they have not obtained consents from the owners or their lessors, our leases could be invalidated. If this occurs, we may have to renegotiate the leases with the owners or the parties who have the right to lease the properties, and the terms of the new leases may be less favorable to us. Some of our leased properties were also subject to mortgage at the time the leases were entered into. Such leases may not be binding on the transferee of the property in the event that the mortgage holder forecloses on the mortgage and transfers the property to another party. In addition, we are in a situation where our leasehold interests in leased properties have not been registered with the relevant PRC government authorities as required by PRC law, which may expose us to potential fines if we fail to remediate after receiving any notice from the relevant PRC government authorities. Also, in the event that the actual use of our leased properties is inconsistent with the use registered on the land use right certificate or our leased properties are on allocated land (劃撥土地), the competent authorities may require the lessors to return the land and impose fines on the lessors, or confiscate the proceeds from the leasing of the properties and imposed fines on the lessor if such properties are leased without their consent or handing in such income, as applicable. Under such circumstances, the relevant lease agreements may be deemed to be in breach of the law and therefore be void. In addition, regulatory and administrative measures on fire safety in China may vary among different regions, and some internal regulatory guidance may not be published timely. During the Track Record Period and up to the Latest Practicable Date, all of our leased properties currently in use in China that required filing with the fire safety authority under the PRC laws had been properly filed with the relevant fire safety authority in accordance with the PRC laws. However, we cannot assure you that all our leased properties in China will satisfy all fire-control requirements as required by relevant PRC laws and regulatory rules and standards. As a result, our use of the leased property may be affected. In the event that our use of properties is challenged by the regulators or is affected by fire incidents, we may be forced to relocate the affected operations.



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We are not aware of any material claims or actions being contemplated or initiated by government authorities, property owners or any other third parties with respect to our leasehold interests in or use of such properties. However, we cannot assure you that our use of such leased properties will not be challenged in the future. In the event that our use of properties is challenged, we may be subject to fines and forced to relocate the affected operations. In addition, we may become involved in disputes with the property owners or third parties who otherwise have rights to or interests in our leased properties. We cannot assure you that we will be able to find suitable replacement sites on terms acceptable to us on a timely basis, or at all, or that we will not be subject to material liability resulting from third parties’ challenges on our use of such properties. As a result, our business, financial condition and results of operations may be adversely affected.

**We may be subject to penalties for the non-registration of lease agreements in the PRC.**

As of the Latest Practicable Date, the lease agreements with respect to nine of our leased properties in China had not been registered and filed with the relevant land and real estate administration bureaus in China. The relevant authorities may require us to complete the lease registrations within a specified time frame and may impose a fine ranging from RMB1,000 to RMB10,000 for each of such lease agreements for any delay in complying with such requirement. See “Business—Property—Leased Property” for details. We cannot assure you that the relevant authorities will not impose penalties for failure to register these lease agreements. Any such penalties could have a material adverse effect on our business, financial position and results of operations.

**Any security breaches of or attacks against our system and network, any actual or perceived failure by us or third parties to comply with applicable cybersecurity and data protection laws and regulations or privacy policies could damage our reputation and adversely affect our business, financial condition and results of operations.**

During the course of our business, we may from time to time collect and use personal data such as addresses and phone numbers and other information from our customers, employees and third parties through the operation of our internet service system and company websites. Despite the continuous improvement of our data security measures, our data security may be breached due to employee error, malfeasance, system errors or vulnerabilities or otherwise. Any accidental or willful security breaches or other unauthorized access to our systems and platforms could cause confidential customer and other third party data to be leaked and used for unlawful purposes and we may be exposed to liabilities for such loss or misuse of information, potential litigation or negative publicity, which may have a material adverse impact on our business, financial condition and results of operations.

Laws and regulations related to cybersecurity are relatively new and evolving in the PRC, the interpretation and enforcement of which involve significant uncertainties. On June 10, 2021, the Standing Committee of the National People’s Congress promulgated the PRC Data Security Law (中華人民共和國數據安全法) which came into effect in September 2021 and provides for a security review procedure for data processing activities that may affect national

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security. On December 28, 2021, the CAC and other twelve PRC regulatory authorities jointly revised and promulgated the Measures for Cybersecurity Review (the “**Cybersecurity Review Measures**”, 網絡安全審查辦法) which has come into effect on February 15, 2022. The Cybersecurity Review Measures require that if the procurement of network products and services by a “critical information infrastructure operator” and the data processing activities of a “network platform operator” affect or may affect national security, it shall apply for cybersecurity review to the Cybersecurity Review Office. In addition, on November 14, 2021, the CAC published a discussion draft of Regulations on the Administration of Cyber Data Security (Draft for Comments) (the “**Draft Cyber Data Security Regulations**”, 網絡數據安全管理條例(徵求意見稿)), which regulates the specific requirements in respect of the data processing activities conducted by data processors through internet in the view of personal data protection, security of important data, data cross-border security management and obligations of internet platform operators. The Draft Cyber Data Security Regulations specifically require that if the listing in Hong Kong by a data processor affects or may affect national security, the data processor shall apply for cybersecurity review in accordance with the relevant PRC laws and regulations. See “Regulatory Overview—Laws and Regulations relating to Our Business in the PRC—Laws and Regulations Relating to Data Security.” The Draft Cyber Data Security Regulations were released for public comment only and its operative provisions and the anticipated adoption or effective dates may be subject to change with substantial uncertainty. It also remains uncertain whether the future regulatory changes would impose additional restrictions on companies like us. We cannot predict the impact of the new cybersecurity and data security regulatory regimes, if any, at this stage, and we will closely monitor and assess any development in the rule-making process. If the enacted version of the Draft Cyber Data Security Regulations mandates or any PRC regulatory authority requires that we shall complete clearance of cybersecurity review or other specific actions, we will face uncertainties as to whether such clearance can be timely obtained, or at all. Any failure to complete or delay in completion of these processes may subject us to government enforcement actions and investigations, fines, penalties, suspension of our non-compliant operations or revocation of our business licenses and permits, among other sanctions, which could materially and adversely affect our business and results of operations.

**We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position.**

We regard our trademarks, copyrights, patents, domain names, know-how, proprietary technologies, and similar intellectual property (which we have ownership or legal rights to use) as critical to our success, and we rely on a combination of intellectual property laws and contractual arrangements, including confidentiality, invention assignment and non-compete arrangements with our employees and others, to protect our proprietary rights. Despite these measures, our intellectual property rights could be challenged, invalidated, circumvented or misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages. For example, we operate under the name “山東樂艙網國際物流股份有限公司” and as of the Latest Practicable Date, we had 13 software copyrights, 12 registered trademarks, one utility model patent and seven domain names which are, in the opinion of our Directors, material to our business. However, if there is any misuse by third parties of our

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brand name or if we are unable to detect, deter and prevent misbehavior and misconduct by our employees or if we fail to effectively protect our brand and trademark, our reputation could be damaged and our business and financial performance may be materially and adversely affected.

In addition, there can be no assurance that our patent applications will be approved, that any issued patents will adequately protect our intellectual property, or that such patents will not be challenged by third parties or found by a judicial authority to be invalid or unenforceable. Further, because of the rapid pace of technological change in our industry, parts of our business rely on technologies developed or licensed by third parties, and we may not be able to obtain or continue to obtain licenses and technologies from these third parties on reasonable terms, or at all.

**We may be subject to intellectual property infringement claims, which may be expensive to defend and may disrupt our business and operations.**

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate patents, copyrights or other intellectual property rights held by third parties. We have been, and from time to time in the future may be, subject to legal proceedings and claims relating to the intellectual property rights of others. In addition, there may be other third-party intellectual property that is infringed by our solutions or services, the solutions or services provided by third-party merchants in our business. There could also be existing patents of which we are not aware that our solutions or services may inadvertently infringe. We cannot assure you that holders of patents purportedly relating to some aspects of our technology platform or business, if any such holders exist, would not seek to enforce such patents against us in China, the United States or any other jurisdictions. Further, the application and interpretation of China’s patent laws and the procedures and standards for granting patents in China are still evolving and are uncertain, and we cannot assure you that PRC courts or regulatory authorities would agree with our analysis. If we are found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. In addition, we may incur significant expenses, and may be forced to divert management’s time and other resources from our business and operations to defend against these third-party infringement claims, regardless of their merits. Successful infringement or licensing claims made against us may result in significant monetary liabilities and may materially disrupt our business and operations by restricting or prohibiting our use of the intellectual property in question.

**We may fail to identify referral shipments carrying goods of dangerous or illicit nature.**

Containers and cargos entering a country are generally subject to customs clearance. We may have no control over, and no knowledge of, the content of the goods that our customers ask us to handle, other than as declared in relevant declaration forms. We have implemented relevant operational standards regarding handling of cargos and containers. However, it is possible that actual containers and cargos handled by us may differ from what is described in the declaration forms. Should there be discrepancies or illegal activities occurring on the part of the customers and we fail to identify their nature, these containers and cargos may end up being impounded by customs, or give rise to any unexpected accidents, where we may be subject to investigations for breaking local laws and be fined by authorities. In such event, our reputation, business and results of operations may be materially and adversely affected.

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**Any inability to develop or retain our key management team members or qualified employees may have an adverse effect on our operations.**

We believe that our success, to a large extent, is primarily attributable to the contribution of Mr. Xu Xin, our executive Director, chief executive officer, president and chairman of our Board, Ms. Li Yan, our executive Director and vice president, Ms. Zhu Jiali and Mr. Yu Zhenrong, each being our executive Director, and Mr. Sun Hongyang, our vice president and a member of our senior management team. Details of their expertise and experience are set out in “Directors and senior management.” We rely on our key management in many important aspects of our business including sales and marketing, maintenance of customer relationships and management of our operations. We also rely on our experienced management team to ensure smooth business operations. Should any of our key personnel ceases to serve us and we fail to recruit and retain an appropriate replacement in a timely manner, our business and operations may be adversely affected.

We intend to hire additional qualified employees to support our business operations and planned expansion. Our future success depends, to a significant extent, on our ability to attract, train and retain qualified personnel, particularly technical and operational personnel with expertise in the cross-border logistics service industry or other areas we expand into. The effective operation of our managerial and operating systems, logistics infrastructure, customer service center and other back office functions also depends on the hard work and quality performance of our management and employees. However, we cannot assure you that we will be able to develop or retain qualified staff or other highly skilled employees that we will need in order to achieve our strategic objectives.

**We may from time to time become parties to claims, lawsuits, legal or administrative disputes and other proceedings that may adversely affect our reputation, business and results of operations.**

As the industry in which we operate has inherent risks of maritime accidents involving loss or damage of property or even death or injury to persons, we may, from time to time, be involved in disputes with and subject to claims by our employees and service providers. Disputes may also arise if our customers are dissatisfied with our services. Claims may include claims for compensation due to the provision of substandard services, disputes relating to late or insufficient payment and claims in respect of personal injuries and labor compensation. Any of these proceedings is inherently unpredictable, and awards of excessive damages or compensation to other parties may occur. As of the Latest Practicable Date, we had no material ongoing legal proceedings. We may be subject to judgments or enter into settlements that could have an adverse effect on our business, financial position and results of operations.

If we are involved in any legal proceedings, our management’s time and efforts could be diverted from the operation of our business to pursue or defend the legal proceedings, and our insurers may also increase our insurance premiums. Furthermore, any litigation, arbitration, legal or contractual disputes, investigations or administrative proceedings which are initially not of material importance may escalate and become important to us, due to a variety of factors,

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such as the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved. If any verdict or award is rendered against us or if we settle with any third parties, we could be required to pay significant monetary damages, assume other liabilities and even to suspend or terminate the related business contracts. Similarly, any claim, dispute, legal proceeding or investigation involving us or our employees may result in damages or liabilities, as well as legal and other costs and may cause a distraction to our management. Negative publicity arising from litigation, arbitration, legal or contractual disputes, investigations or administrative proceedings may damage our reputation and adversely affect the image of our brands. These may adversely affect our operations and financial performance. If we fail to claim or defend any legal proceedings on a timely basis, or fail to settle such legal proceedings on commercially reasonable terms, or the damages that we may be held liable to pay in respect of such legal proceedings are not adequately covered by our insurance policies, our business and results of operations may be adversely affected.

**We could be adversely affected as a result of any sales we make to certain countries that are, or become subject to, sanctions administered by the United States, the European Union, the United Kingdom, the United Nations, Australia and other relevant sanctions authorities.**

The United States and other jurisdictions or organisations, including the European Union, the United Kingdom, the United Nations and Australia, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organisations within such countries.

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

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

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The Relevant Regions were subject to various sanctions during the Track Record Period but none of them was subject to a general and comprehensive export, import, financial or investment embargo under sanctions related law or regulation of a Relevant Jurisdiction (i.e., none of them was a Comprehensively Sanctioned Country).

While we have implemented internal control measures to minimize our risk exposure to International Sanctions, sanctions laws and regulations are constantly evolving, and new persons and entities are regularly added to the list of Sanctioned Persons. Further, new requirements or restrictions could come into effect which might increase the scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions. We cannot provide any assurance that our future business will be free of sanctions risk or our business will conform to the expectations and requirements of the authorities of the United States or any other jurisdictions. Our business and reputation could be adversely affected if the authorities of the United States, the European Union, the United Kingdom, the United Nations, Australia or any other jurisdictions were to determine that any of our future activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of our Group. For details on our business operations in the Regions subject to International Sanctions, please refer to the section headed “Business—Business activities with Regions subject to International Sanctions” in this document.

**Our business could be impacted by political and economic sanctions, as well as geopolitics and trade protection measures.**

Our operations may be negatively affected by any deterioration in the political and economic relations among countries and sanctions and export controls administered by the relevant government authorities. For example, the United States and other jurisdictions or organizations, including the European Union, the United Nations and Australia, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against certain countries or regions or against targeted industry sectors, groups of companies or persons, and organizations within such countries or regions. Such laws and regulations may subject to frequent changes, and their interpretation and enforcement involves substantial uncertainties, which may be heightened by national security concerns or driven by political and/or other factors that are out of our control. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any sanctions.

As our business continues to expand, we will enter into new regions and establish business relationship with more suppliers and customers. We cannot assure you that we or our suppliers and customers will not be subject to such restrictions in the future. Any potential restrictions imposed on us or our suppliers and customers, as well as any associated inquiries or investigations or any other government actions, may cause disruptions to our service offerings and business operations, result in negative publicity, require significant management time and attention and subject us to fines, penalties or orders. Any of the foregoing events may have a material and adverse effect on our business, financial condition and results of operations.



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**Our property could be seized or attached by maritime claimants, which could result in a significant loss of revenue and cash flow.**

Crewmembers, suppliers of goods and services to a vessel, shippers of cargos and other parties may be entitled to a maritime lien against our property for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lienholder may enforce its lien by either seizing or attaching property, such as a vessel, through foreclosure proceedings. The seizure or attachment of our property could require us to pay a substantial amount of money to have the arrest or attachment lifted, and could subsequently result in a significant loss of earnings and cash flow. We cannot assure you that such occasions will not occur to us in the future.

**We may face unexpected costs for the maintenance of our logistics assets.**

Many of our logistics assets require regular maintenance. For example, we routinely engage shipyards to dry-dock our vessels for regulatory compliance and to provide repair and maintenance. Vessels may also have to be dry-docked or repaired at sea in the event of accidents or other unforeseen damage. Unexpected dry-dockings or repairs could require us to utilize a reserve vessel, purchase additional fuel and operate a less-efficient, smaller vessel for a period of time. The cost of repairs is difficult to predict with certainty and can be substantial. In addition, the time when a vessel is out of service for maintenance is determined by a number of factors, including regulatory deadlines, market conditions, shipyard availability and customer requirements, and accordingly, the length of time that a vessel may be out of service may be longer than anticipated, which could adversely affect our business, financial condition, results of operations and cash flows.

**Our operations are susceptible to weather, natural disasters, maritime accidents, spill events and other physical and operating risks, including those arising from climate change.**

As a cross-border logistics service provider, our operations are vulnerable to disruption as a result of weather, natural disasters and other climate-driven events, such as rising temperatures, sea levels and storm severity, bad weather at sea, hurricanes, typhoons, tsunamis, floods and earthquakes, as well as a maritime accident, oil or other spill, or other environmental mishap. Climate change has increased and may continue to increase the frequency, severity and uncertainty of such events. Such events interfere with our ability to provide on-time scheduled service, resulting in increased expenses and potential loss of business associated with such events. In addition, severe weather and natural disasters can result in interference with our terminal operations and may cause serious damage to our logistics assets. Our logistics assets and their cargos are also subject to operating risks such as mechanical failure, collisions and human error.

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The occurrence of any of these events may result in damage to or loss of logistics assets, cargos, increased maintenance expense, loss of life or physical injury to our employees or people, pollution, or the slow down or suspension of operations. These events can expose us to reputational harm and liability for resulting damages and possible penalties. Affected logistics assets may also be removed from service and thus would be unavailable for income-generating activity.

**In wartime or emergency situations, the government may requisition our property resulting in the reduction of our revenue.**

In many regions of the world, commercial property, such as vessels, may be requisitioned by governments for use during wartime or other emergency situations. However, the property owner may not receive compensation from the government nor be covered by its insurance. In the event that the governments were to requisition one or more of our vessels, or charter the vessels at rates lower than the market rates, our business, operating results and financial condition could be adversely affected.

**Crime, such as piracy, could adversely affect our business and results of operations.**

Crime, such as piracy, is a potential risk in the operation of cross-border logistics business. The frequency of crime incidents against commercial shipping vessels has increased significantly in recent years. As we expand the network of our seaborne transportation, our vessels may in the future travel in regions that have high frequencies of crime incidents. Take piracy as an example, pirate attacks on any of our vessels could result in loss of life, kidnapping of our crew or theft, damage or destruction of our vessels or of cargos being transported thereon. We may not be adequately insured to cover losses from these incidents, which could have a material and adverse effect on our business and results of operations.

**Our risk management and internal control systems, as well as the risk management tools available to us, may not fully protect us against various risks inherent in our business.**

We have established our internal control system, such as an organizational framework and, policies and procedures that are designed to monitor and control potential risk areas relevant to our business operations. However, due to the inherent limitations in the design and implementation of our risk management system, our risk management system may not be sufficiently effective in identifying, managing and preventing all risks if external circumstances change substantially or extraordinary events take place.

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



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

### **Our ESG targets and plans may be subject to change and may not be achieved.**

We are committed to operating our vessels in a responsible and sustainable manner, and we have disclosed various environmental, social and governance (ESG) targets and plans in this document. These include, but not limited to, reducing our greenhouse gas and other emissions, improving our energy efficiency, transitioning into zero emission vessels and enhancing our safety and security standards. However, our ESG targets and plans are based on our current assumptions, expectations and estimates, which may change over time due to various factors, such as market conditions, industry trends, regulatory developments, technological developments, availability and costs of alternative fuels such as methanol, customer preferences, stakeholder feedback, operational challenges and unforeseen events. Therefore, we may revise, update, modify or discontinue some or all of our ESG targets and plans from time to time, and we may not be able to achieve them within the expected timeframe or at all. Any such changes or failures may adversely affect our reputation, competitiveness, profitability, and ability to access capital, insurance coverage and attract and retain talent. These changes or failures may also expose us to legal, regulatory or contractual liabilities, sanctions or penalties, or increased scrutiny, criticism or litigation from our stakeholders, such as investors, customers, employees, regulators, communities, rating agencies, industry associations, classification societies or environmental and social bodies. Our ESG targets and plans should be considered together with the risks and uncertainties associated with them. No undue reliance should be placed on our ESG targets and plans.

### **RISKS RELATING TO CONDUCTING BUSINESS IN CHINA**

#### **Changes in China’s or global economic, political or social conditions or government policies could have a material and adverse effect on our business and operations.**

A substantial portion of our operations are located in China. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a significant degree by political, economic and social conditions in China generally and by continued economic growth in China as a whole.

The Chinese economy differs from the economies of most developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. The Chinese government plays a significant role in regulating industry development by imposing industrial policies. The

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Chinese government also exercises significant control over China’s economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us.

In addition, the global macroeconomic environment is facing challenges. For example, the impact of the United Kingdom’s withdrawal from the European Union, commonly referred to as “Brexit”, and the resulting effect on the political and economic future of the United Kingdom and the European Union is uncertain. Brexit could adversely affect European and worldwide economic and market conditions, and could contribute to instability in global financial and foreign exchange markets. It is unclear whether these challenges and uncertainties will be contained or resolved, and what effects they may have on the global political and economic conditions in the long term.

**Compliance with the rapidly evolving landscape of cross-border transfer of data and data security laws and regulations may be challenging, which may affect our business operation.**

According to the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》), which became effective on June 1st, 2017, personal information and important data collected and generated by operators of critical information infrastructure in the operations within the territory of the People’s Republic of China shall be stored in the PRC. Where it is necessary to provide such information outside of China for business purposes, a security assessment shall be conducted in accordance with the measures formulated by the state cyberspace department in conjunction with relevant departments of the State Council, unless otherwise provided by laws or administrative regulations.

The Regulations on Security Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), which came into effect on September 1, 2021, provides that a critical information infrastructure has the meaning of an important network facility and information system in important industries such as public communications and information services, energy, transportation, water conservancy, finance, public services, e-government, national defense technology, among others, as well as other important network facilities and information systems that may seriously endanger national security, the national economy, the people’s livelihood, or the public interests in the event of damage, loss of function, or data leakage.

The Data Safety Law of the People’s Republic of China, which came into effect on September 1, 2021, provides that all regions and departments are responsible for the data and data security collected and generated in the work of their own regions and departments. The competent departments of industry, telecommunications, transportation, finance, natural resources, healthcare, education, technology, among others, shall undertake the responsibility

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for data security supervision in their own industries and fields. The state exercises export control on data belonging to controlled items related to safeguarding national security and interests and fulfilling international obligations.

The Cybersecurity Review Measures, which was promulgated on December 28, 2021 and will be come into effect on February 15, 2022, provides that “operator of critical information infrastructure” or a “operator of internet platform”, who has personal information of more than one million users and is going to list in foreign countries, must report to the relevant cybersecurity review office for a cybersecurity review. The cybersecurity review office, which subordinates to the CAC, takes charge of preparing the systems and codes relating to cybersecurity review, and arrange cybersecurity events.

We collect and use data in the course of our business operations, but because (i) the relevant laws and regulations do not clearly stipulate the scope of “operators of critical information infrastructure” and the data that are included in the scope of export control and (ii) up to now, we have not been recognized as an operator of critical information infrastructure by any laws and regulations or administrative authorities, there is uncertainty as to whether the collection and use of data collected and used in our business operations involves a violation of the above provisions. If it is subsequently proved that the data we collect and use is within the scope of control, then we need to regulate it in accordance with the requirements of relevant regulations, otherwise we may face penalties from the competent authorities.

**We may be required to contribute additional social insurance or housing provident funds, or be imposed of late payment fees or fines.**

Companies operating in China are required to participate in various employee benefit plans, including social insurance, housing provident funds and other welfare-oriented payment obligations. The amounts of contributions should be equal to a prescribed percentages of salaries, including bonuses and allowances, of our employees up to a maximum amount specified by the local government from time to time at locations where we operate our businesses. The requirement of employee benefit plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations. The relevant government authorities may examine whether an employer has made adequate payments of the requisite employee benefit payments, and employers who fail to make adequate payments may be subject to late payment fees, fines and/or other penalties. During the Track Record Period, we did not make full contribution to social insurance and housing provident fund, the shortfall of which was RMB0.5 million, RMB0.3 million and RMB0.4 million in 2020, 2021 and 2022, respectively. According to the relevant PRC laws and regulations, we may be requested by relevant PRC authorities to pay the outstanding social insurances contribution within a prescribed period and we may be liable for a late payment fee equal to 0.05% of the outstanding contribution amount for each day of delay. If we fail to repay the outstanding social insurance contribution within the stipulated period, we may be liable to a fine of one to three times the outstanding contribution amount. If we fail to pay housing fund contributions within the prescribed deadline, we may be subject to an order by the relevant people’s court to make such payments. As of the date of this document, we have not received

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any notices, complaints or demand for payment of these outstanding contributions from the relevant government authorities. However, we cannot assure you that we will not be subject to any order from the relevant government authorities in the future to rectify such non-compliance, nor can we assure you that there are no or will not be any employee complaints regarding payment of the social insurance funds and housing funds under the relevant laws and regulations implemented at the national, provincial or local level. We may also incur additional expenses to comply with the relevant laws and regulations implemented by the national provincial or local authorities. If any of these occurs, our financial condition and results of operations may be adversely affected.

### **Uncertainties with respect to the PRC legal system could adversely affect us.**

We conduct our business primarily through our PRC subsidiaries and consolidated affiliated entities in China. Our operations in China are governed by PRC laws and regulations. Our PRC subsidiaries and consolidated affiliated entities in China are subject to laws and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value. The PRC legal system is evolving rapidly, and the interpretation of many laws, regulations and rules may contain inconsistencies and enforcement of these laws, regulations and rules involves uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. Any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business and results of operations. Furthermore, the PRC legal system is based, in part, on government policies and internal rules, some of which are not published in a timely manner, or at all, but which may have retroactive effect. As a result, we may not always be aware of any potential violation of these policies and rules. Such unpredictability towards our contractual, property and procedural rights could adversely affect our business and impede our ability to continue our operations.

### **You may experience difficulties in effecting service of legal process, enforcing judgments or bringing original actions in the PRC based on foreign laws against us and our management.**

We are a PRC-based company and many of our operations are conducted in the PRC. As a result, it may not be possible to effect service of process outside of the PRC upon the substantial majority of our Directors and executive officers. Moreover, the PRC does not have treaties providing for the recognition and enforcement of civil judgments of courts of the

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Cayman Islands and various other jurisdictions. As a result, recognition and enforcement in the PRC judgments of a court in the Cayman Islands or other jurisdictions in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible.

On July 14, 2006, the Supreme People’s Court of the PRC and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》), or the 2006 Arrangement. Under the 2006 Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case under a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. On January 18, 2019, the Supreme People’s Court of the PRC and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》), or the New Arrangement, which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between Hong Kong and the PRC. The New Arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement. The New Arrangement will only take effect after the promulgation of a judicial interpretation by the Supreme People’s Court of the PRC and the completion of the relevant legislative procedures in the Hong Kong. The New Arrangement will, upon its effectiveness, supersede the 2006 Arrangement. Therefore, before the New Arrangement becomes effective, it may be difficult or impossible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not enter into a choice of court agreement in writing.

**We are subject to PRC laws and regulations that could require us to modify our current business practices and incur increased costs.**

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

The liabilities, costs, obligations and requirements associated with these laws and regulations may cause interruptions to our operations or impact our financial position and results of operations. For example, according to regulations concerning transfer pricing

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between associated enterprises, related party transactions should comply with the arm’s length principle. If the related party transactions fail to comply with the arm’s length principle, the relevant tax authority has the power to make an adjustment following certain procedures. There is no assurance that the competent tax authorities would not challenge the appropriateness of our transfer pricing arrangement or that the relevant regulations or standards governing such arrangement will not be subject to future changes. If a competent tax authority later determines that the transfer prices and terms that we have applied are not in compliance with the applicable transfer pricing rules and regulations, such authority may require us to re-assess the transfer prices, re-allocate the income, and/or adjust the taxable income. Any such reallocation or adjustment may result in a higher overall tax liability for us and may adversely affect our business, operation and financial results.

Additionally, there can be no assurance that the relevant government agencies will not change such laws or regulations or impose additional or more stringent laws or regulations. Compliance with such laws or regulations may require us to incur material capital expenditures or other obligations or liabilities. Legal requirements are frequently changed and subject to interpretation, and we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. We may be required to make significant expenditures or modify our business practices to comply with existing or future laws and regulations, which may increase our costs and materially limit our ability to operate our business.

**Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of your investment.**

We are exposed to certain foreign exchange risks in respect of depreciation or appreciation amongst the currencies other than our functional currencies. The conversion of RMB into foreign currencies, including Hong Kong dollars and U.S. dollars, is based on rates set by the People’s Bank of China. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollars, the U.S. dollar or other currencies in the future. The value of RMB against the Hong Kong dollars, U.S. dollar and other currencies is affected by changes in China’s political and economic conditions and by China’s foreign exchange policies, among other things. We cannot assure you that RMB will not appreciate or depreciate significantly in value against Hong Kong dollars and the U.S. dollar in the future.

We conduct our businesses mainly in RMB, with certain transactions conducted in USD, and to a less extent, other currencies. Our exposure to foreign currency exchange risks arises from such certain transactions conducted in USD and other foreign currencies. As of December 31, 2020, 2021 and 2022, we had RMB25.4 million, RMB179.7 million and RMB294.5 million respectively, in cash and cash equivalents denominated in USD and other foreign currencies. Our result of operations and financial position of our overseas subsidiaries that have a functional currency other than RMB are also affected by the fluctuation of exchange rates. As of the end of each year during the Track Record Period, assets and liabilities of these overseas subsidiaries and their statements of profits or loss are translated into RMB. The resulting



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exchange differences are recognized in our consolidated statements of other comprehensive income. In 2020 and 2021, we recorded exchange losses on translation of foreign operations of RMB4.4 million and RMB5.5 million, respectively. In 2022, we recorded exchange gain on translation of foreign operations of RMB85.9 million. We cannot guarantee that we will not experience significant changes in exchange rates in the future, impacting both our statements of operations and the value of our assets and liabilities denominated in foreign currencies. Any significant appreciation or depreciation of RMB may materially and adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our Shares. For example, to the extent that we need to convert Hong Kong dollars and U.S. dollars we receive into RMB to pay our operating expenses, appreciation of RMB against the Hong Kong dollars and the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, a significant depreciation of RMB against the Hong Kong dollars and the U.S. dollar may significantly reduce the Hong Kong dollars or the U.S. dollar equivalent of our earnings, which in turn could adversely affect the price of our Shares.

To date, we have not maintained any specific hedging policy or foreign currency forward contracts in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currency. Should we face significant volatility in these foreign exchange rates and we cannot procure any specific foreign exchange control measures to mitigate such risks, our results of operations and financial performance shall be adversely affected.

**We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.**

We are a holding company, and we rely partly on dividends and other distributions on equity paid by our operating subsidiaries in the PRC for our cash and financing requirements including the funds necessary to pay dividends and other cash distributions to our Shareholders, service any debt we may incur and pay our operating expenses.

Under PRC laws and regulations, our PRC subsidiaries are subject to different dividend policies. Our PRC subsidiaries are required to set aside 10% of their accumulated after-tax profits each year to fund a statutory reserve which is not distributable as dividends until the accumulated amount of such reserve has exceeded 50% of the registered capital of that PRC subsidiary. As a result of these PRC laws and regulations, our PRC subsidiaries are restricted in their ability to transfer a portion of their net assets to us in the form of dividends. Limitations on the ability of our PRC subsidiaries to pay dividends to us could adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends, or otherwise fund and conduct our business.

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**Governmental control of currency conversion may limit our ability to utilize our revenues effectively and affect the value of your investment.**

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. Under our current corporate structure, our Company in the Cayman Islands may rely on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. Therefore, our wholly foreign-owned subsidiaries in China are able to pay dividends in foreign currencies to us without prior approval from SAFE, subject to the condition that the remittance of such dividends outside of the PRC complies with certain procedures under PRC foreign exchange regulation, such as the overseas investment registrations by our shareholders or the ultimate shareholders of our corporate shareholders who are PRC residents. But approval from or registration with appropriate government authorities or delegated banks is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency needs, we may not be able to pay dividends in foreign currencies to our shareholders.

### **RISKS RELATING TO THE [REDACTED]**

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

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

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

In addition, the [REDACTED] of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our Shares. A number of China-based companies have



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listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards China-based companies listed in Hong Kong and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance, and may result in losses on your investment in our Shares.

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

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

The Shares held by our substantial shareholders are subject to certain lock-up periods beginning on the date on which trading in our Shares commences on the Stock Exchange. We cannot assure you that our substantial shareholders will not dispose of any Shares they may own now or in the future. In addition, certain existing shareholders of our Shares are not subject to lock-up agreements. Market [REDACTED] of Shares by such shareholders and the availability of these Shares for future [REDACTED] may have negative impact on the [REDACTED].

**You will incur immediate and substantial dilution and may experience further dilution in the future.**

As the [REDACTED] of Shares is higher than the net tangible book value per share of our Shares immediately prior to the [REDACTED], purchasers of our Shares in the [REDACTED] will experience an immediate dilution. If we issue additional Shares in the future, purchasers of our Shares in the [REDACTED] may experience further dilution in their shareholding percentage.

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

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

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

**There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various government publications contained in this document.**

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

**You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us and the [REDACTED].**

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the [REDACTED]. Prior to the publication of this document, there has been press and media coverage regarding us and the [REDACTED]. Such press and media coverage may include references to certain information that does not appear in this document,

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including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and you should not rely on such information.

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

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

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

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

## **WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES**

In preparation for the [REDACTED], our Company has applied for the following waivers from strict compliance with the relevant provisions of the Listing Rules:

### **MANAGEMENT PRESENCE IN HONG KONG**

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong and, in normal circumstances, at least two of the issuer's executive directors must be ordinarily resident in Hong Kong.

Since our core operations are primarily based and conducted in the PRC, we do not have a sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules. Our headquarters, senior management, business operations and assets are based in the PRC, our management is best able to attend its function by being based in the PRC. It would be practically difficult and commercially unnecessary for us to relocate two of our executive Directors to Hong Kong. We have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with Rule 8.12 of the Listing Rules subject to, among others, the following conditions:

- (a) pursuant to Rule 3.05 of the Listing Rules, we have appointed two authorized representatives, Mr. Xu, our executive Director, chief executive officer, president and chairman of our Board and Ms. Ho Yin Kwan (何燕群) our joint company secretary, who will act as our Company's principal channel of communication with the Stock Exchange. Ms. Ho is ordinarily resident in Hong Kong. Although Mr. Xu resides in the PRC, he possesses valid travel documents and is able to renew such travel documents when they expire to travel to Hong Kong. Each of our authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and/or email. Each of our authorized representatives is authorized to communicate on our behalf with the Stock Exchange. Our Company has been registered under Part 16 of the Companies Ordinance and Ms. Ho has also been authorized to accept service of legal process and notices in Hong Kong on behalf of our Company;
- (b) both our authorized representatives have means to contact all our Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the members of our Board for any matters. Our Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required. Each of our Directors has provided his/her mobile phone numbers, fax numbers and/or e-mail addresses (where available) to our authorized representatives. In the event that a Director expects to travel, he/she will endeavor to provide the phone number of the place of his/her accommodation to our authorized representatives or maintain an open line of communication via his/her mobile phone and each of our Directors and authorized representatives have provided his/her mobile numbers, office phone numbers, fax numbers and/or email addresses (where available) to the Stock Exchange;

## **WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES**

- (c) pursuant to Rule 3A.19 of the Listing Rules, our Company has appointed Dongxing Securities (Hong Kong) Company Limited as our compliance advisor (the “**Compliance Advisor**”), which shall have access at all times to our authorized representatives, Directors, senior management and other officers of our Company, and will act as an additional channel of communication with the Stock Exchange in addition to the authorized representatives of our Company; and
- (d) any meetings between the Stock Exchange and our Directors could be arranged through our authorized representatives or the Compliance Advisor, or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange of any changes of our authorized representatives and/or the Compliance Advisor in accordance with the Listing Rules.

### **JOINT COMPANY SECRETARIES**

According to Rules 3.28 and 8.17 of the Listing Rules and the Stock Exchange’s Guidance Letter HKEX-GL 108-20, the secretary of our Company must be a person who has the requisite knowledge and legal experience to discharge the functions of the company secretary and is either (i) a member of the Hong Kong Chartered Governance Institute, a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong) or a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong); or (ii) an individual who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

We have appointed Ms. Ding Sujun (丁素君) (“**Ms. Ding**”) and Ms. Ho Yin Kwan (何燕群) (“**Ms. Ho**”) as our joint company secretaries. Ms. Ding is primarily responsible for our corporate governance matters, information disclosure pursuant to applicable regulatory requirements, investor relationship management and communication with the relevant competent regulatory authorities. Our Directors are of the view that, having regard to Ms. Ding’s experience in serving as the secretary of the board of Shandong Lcang since 2017 and corporate governance matters of our Group, she is considered as a suitable person to act as a company secretary of our Company. In addition, as our headquarters and principal business operations are located in the PRC, our Directors believe that it is necessary to appoint Ms. Ding as a company secretary whose presence in the PRC enables her to attend to the day-to-day corporate secretarial matters concerning our Group. However, Ms. Ding does not possess a qualification stipulated in Rule 3.28 of the Listing Rules, she is not able to solely fulfill the requirements as a company secretary of a listed issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules. Therefore, our Company has appointed Ms. Ho, a member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, who is qualified under Rule 3.28 of the Listing Rules to act as the other joint company secretary to work closely with and provide support to Ms. Ding on an ongoing basis.

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## **WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES**

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Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Ms. Ding as our joint company secretary on the condition that Ms. Ding will be assisted by Ms. Ho as our joint company secretary throughout the three-year period from the [REDACTED]. By virtue of her qualifications and experience in corporate secretarial practice, Ms. Ho is, in our Directors’ opinion, a person who is qualified and suitable to provide assistance to Ms. Ding for a three-year period from the [REDACTED] so as to enable her to acquire the relevant experience (as required under Rule 3.28(2) of the Listing Rules) to duly discharge her duties. In addition, Ms. Ding will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the three-year period from the [REDACTED]. Our Company will further ensure that Ms. Ding has access to the relevant training and support that would enhance her understanding of the Listing Rules and the duties of a company secretary of an issuer [REDACTED] on the Stock Exchange.

Such waiver will be revoked immediately if and when Ms. Ho ceases to provide such assistance or our Company commits any material breaches of the Listing Rules during the three-year period from the [REDACTED]. We will liaise with the Stock Exchange before the end of the three-year period to enable it to assess whether Ms. Ding, having had the benefit of Ms. Ho’s assistance for three years, will have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

The biographical information of Ms. Ding and Ms. Ho is set out in “Directors and Senior Management” in this document.

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]



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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

**DIRECTORS**

<b>Name</b>	<b>Address</b>	<b>Nationality</b>
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**Executive Directors**

Mr. Xu Xin (許昕)	Room 3701, No. 8 Yan’er Island Road Shinan District Qingdao City, Shandong Province PRC	Chinese
Ms. Li Yan (李艷)	Room 3701, No. 8 Yan’er Island Road Shinan District Qingdao City, Shandong Province PRC	Chinese
Ms. Zhu Jiali (朱佳麗)	Room 2205, Building 8 57 Yongji Road, Shibe District Qingdao, Shandong Province, PRC	Chinese
Mr. Yu Zhenrong (余臻榮)	Room 3501, No. 9 Lane 1515, Zhangyang Road Pudong New Area, Shanghai, PRC	Chinese

**Independent non-executive Directors**

Dr. Gu Lin (顧琳)	Suite 1609, 1071 East Tiyuhui Road Hongkou District, Shanghai PRC	Chinese
Mr. Du Haibo (杜海波)	Room 64, Unit 2, Building 8 Yongwei Han Lin Ju 6 East, Jiuru Road Zhengdong Xin District Zhengzhou, Henan Province PRC	Chinese
Mr. Qi Yinliang (齊銀良)	2-102, No. 1, District 1 Xishui Garden Miyun District, Beijing PRC	Chinese

For further information regarding our Directors and senior management members, see “Directors and Senior Management.”

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**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

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**PARTIES INVOLVED IN THE [REDACTED]**

**Joint Sponsors**

**CITIC Securities (Hong Kong) Limited**

18/F, One Pacific Place, 88 Queensway  
Hong Kong

**ABCI Capital Limited**

11/F, Agricultural Bank of China Tower  
50 Connaught Road Central  
Hong Kong

[REDACTED]

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**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

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**Legal advisors to our Company**

*As to Hong Kong and United States laws:*  
**Sidley Austin**  
Level 39, Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

*As to PRC laws:*  
**Commerce & Finance Law Offices**  
12-14th Floor, China World Office 2  
No. 1 Jianguomenwai Avenue  
Chaoyang District  
Beijing, PRC

*As to Cayman Islands laws:*  
**Conyers Dill & Pearman**  
29th Floor  
One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

*As to International Sanctions laws:*  
**Hogan Lovells**  
11th Floor, One Pacific Place  
88 Queensway  
Hong Kong

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

*As to Hong Kong and United States laws:*  
**Allen & Overy**  
9th Floor, Three Exchange Square  
Central  
Hong Kong

*As to PRC laws:*  
**Jingtian & Gongcheng**  
34/F, Tower 3  
China Central Place  
77 Jianguo Road  
Chaoyang District  
Beijing, PRC

**Auditor and reporting accountants**

**Ernst & Young**  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*  
27/F, One Taikoo Place  
979 King’s Road  
Quarry Bay  
Hong Kong

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**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

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**Industry consultant**

**Frost & Sullivan (Beijing) Inc.**

Unit 2401-02, Level 24  
China World Office 2  
1 Jianguomenwai Avenue  
Chaoyang District  
Beijing  
China

**Compliance Advisor**

**Dongxing Securities (Hong Kong)**

**Company Limited**

6805–6806A, 68/F  
International Commerce Center  
1 Austin Road West  
Kowloon  
Hong Kong

[REDACTED]

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## CORPORATE INFORMATION

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<b>Registered office</b>	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Headquarter and principal place of business in the PRC</b>	9/F, China Stone Building 37 Hong Kong Middle Road, Shinan District Qingdao, Shandong Province PRC
<b>Principal place of business in Hong Kong</b>	40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong
<b>Company's website</b>	<b><u><a href="http://www.burnasia.cn">www.burnasia.cn</a></u></b> <i>(Information on this website does not form part of this document)</i>
<b>Joint company secretaries</b>	Ms. Ding Sujun (丁素君) 200 Yuanshen Road, Pudong New Area Shanghai, PRC  Ms. Ho Yin Kwan (何燕群) <i>(Associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute)</i> 40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong
<b>Authorized representatives</b>	Mr. Xu Xin (許昕) Room 3701 No. 8 Yan'er Island Road Shinan District Qingdao City Shandong Province PRC  Ms. Ho Yin Kwan (何燕群) 40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong

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## CORPORATE INFORMATION

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### Audit Committee

Mr. Du Haibo (杜海波) (*Chairman*)  
Dr. Gu Lin (顧琳)  
Mr. Qi Yinliang (齊銀良)

### Remuneration Committee

Mr. Qi Yinliang (齊銀良) (*Chairman*)  
Mr. Xu Xin (許昕)  
Dr. Gu Lin (顧琳)

### Nomination Committee

Mr. Xu Xin (許昕) (*Chairman*)  
Mr. Qi Yinliang (齊銀良)  
Dr. Gu Lin (顧琳)

[REDACTED]

### Principal banks

**The Bank of East Asia (China) Limited,  
Qingdao Branch**  
67A Xiang Gang Xi Road  
Shi Nan District, Qingdao  
Shandong Province  
PRC

**Bank of China Limited, Dalian Lu  
Sub-Branch**  
No. 03, 1/F, No. 688 Da Lian Road  
Yangpu District  
Shanghai  
PRC

**Hong Kong and Shanghai Banking  
Corporation Limited**  
HSBC Main Building  
No.1 Queen’s Road  
Central  
Hong Kong



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## INDUSTRY OVERVIEW

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*The information and statistics set out in this section and other sections of this document were extracted from the Frost & Sullivan Report prepared by Frost & Sullivan, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the [REDACTED]. The information from official government sources has not been independently verified by us, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of their respective directors and advisers or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy.*

### SOURCES OF INFORMATION

This section includes information from the Frost & Sullivan Report, a report commissioned by us, as we believe such information imparts a greater understanding of the industry. Frost & Sullivan is a global consulting company and an independent third party. Founded in 1961, Frost & Sullivan provides market research on a variety of industries, among other services. We have agreed to pay Frost & Sullivan a total of RMB800,000 in fees for its commissioned undertakings, which we believe to be consistent with market rates. We are of the view that the payment of such fee does not impair the fairness of the conclusions drawn in the Frost & Sullivan Report.

In preparing the Frost & Sullivan Report, Frost & Sullivan performed both primary research which involved conducting interviews with leading industry participants and experts and secondary research which involved reviewing company reports, independent research reports and data based on Frost & Sullivan’s research database. Frost & Sullivan also assumed that China’s economy is likely to maintain its steady growth in the forecast period, China’s social, economic and political environment is likely to remain stable in the forecast period, relevant market drivers are likely to drive the growth of the global cross-border logistics solution industry, and there is no extreme force majeure or industry regulation which may dramatically or fundamentally affect the market.

### OVERVIEW OF GLOBAL IMPORT AND EXPORT TRADE AND CROSS-BORDER E-COMMERCE INDUSTRY

#### Overview of Global Import and Export Trade

Benefited from the growth of global economy and the increase in consumer purchasing power, the global import and export trade has continuously expanded over the past few years. The chart below sets forth total import and export value of each major economy in the world for the years indicated.

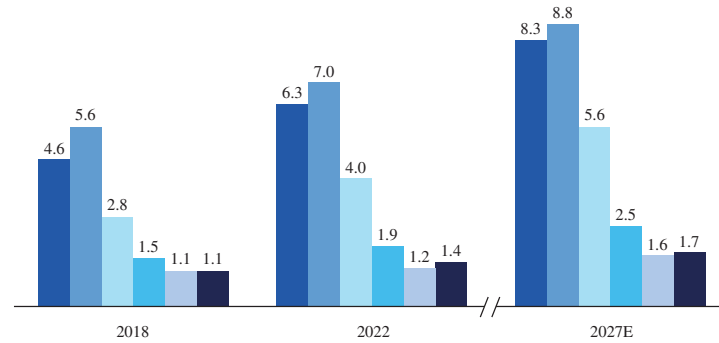
## INDUSTRY OVERVIEW

### Import and Export Value Breakdown by Global Major Economies

USD Billion; 2018-2027E

CAGR	China	U.S.	Germany	Japan	U.K.	South Korea
2018-2022	7.9%	5.6%	9.5%	6.3%	2.3%	5.5%
2022-2027E	5.8%	4.7%	7.2%	5.4%	5.1%	3.8%

■ China 
 ■ U.S. 
 ■ Germany 
 ■ Japan 
 ■ U.K. 
 ■ South Korea



Source: National Bureau of Statistics of China, BEA, Japan Customs, Bank of Korea, Frost & Sullivan Report

### Overview of Global E-commerce Market

With the increasing penetration of internet technology, the global e-commerce market has shown rapid growth in recent years. The outbreak of COVID-19 in 2020 changed customers’ shopping habits and accelerated the transition of consumption pattern from traditional offline shopping to shopping from online channels and platforms, leading to further development and expansion of the global e-commerce market.

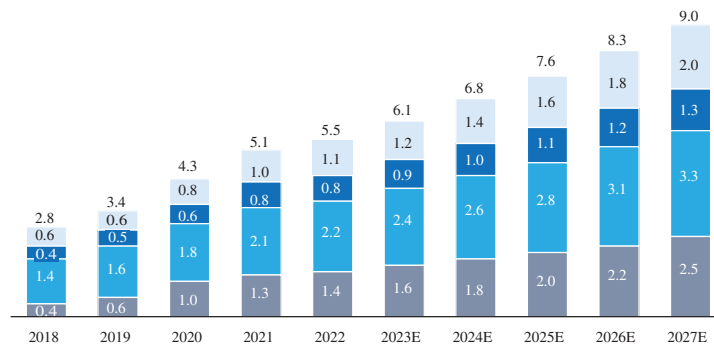
The chart below sets forth the market size of the global e-commerce market for the years indicated.

### E-commerce Market, Global

USD Trillion; 2018-2027E

CAGR	Total	North America	Europe	China	RoW
2018-2022	18.3%	16.1%	18.7%	11.6%	37.4%
2022-2027E	10.6%	12.6%	10.7%	8.5%	11.7%

■ North America 
 ■ Europe 
 ■ China 
 ■ RoW



Note: The market size refers to the sum of GMV generated from e-commerce platforms

Source: eMarketer and Frost & Sullivan Report

## INDUSTRY OVERVIEW

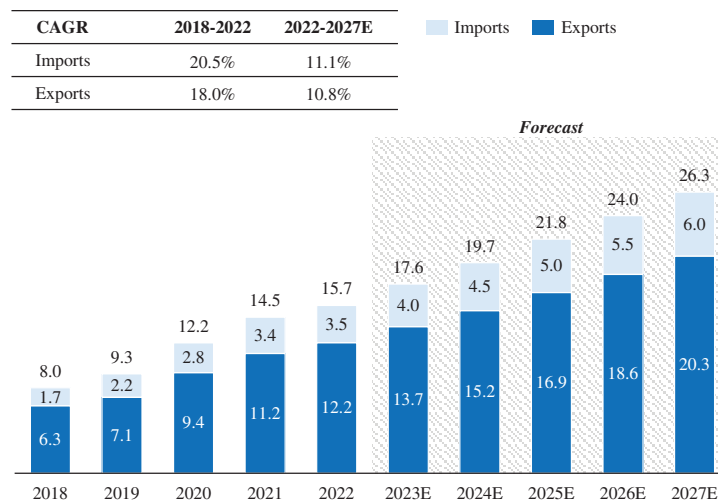
### The Cross-border E-commerce Market in China

Fueled by the development of cross-border services, overseas logistics, mobile payment solutions and the ease of regulatory environment, the market size of the cross-border e-commerce market in China experienced a significant growth. In terms of GMV, the exports of cross-border e-commerce market occupied majority of the overall cross-border e-commerce market in China in the past few years, mainly due to relatively lower labor cost and manufacturing cost in China. Driven by technology disruption, the exported product categories are expected to expand from low-end products to high-end products in China. The current size and expected growth of the global and China’s cross-border e-commerce markets are mainly related to the consumption willingness and purchasing power of online consumers.

The chart below sets forth the market size of the cross-border e-commerce market in China for the years indicated.

#### Cross-border E-commerce Market Breakdown by Category, China

RMB Trillion; 2018-2027E



*Note: The market size refers to the sum of GMV of all cross-border e-commerce platforms.*

*Source: Frost & Sullivan Report (estimated by Frost & Sullivan after conducting interviews with experts from major cross-border e-commerce platforms such as Amazon, Wish, AliExpress and eBay and reviewing the reports issued by third-party organizations)*

### Chinese Brands’ Overseas Expansion Analysis

Chinese brands’ overseas expansion can be classified as three stages, namely emerging stage, expanding stage and flourishing stage. In emerging stage, most of Chinese brands simply export products and extend the sales channel to overseas markets with limited experience or knowhow on managing cross-border logistics. In expanding stage, many Chinese brands started building warehouses and distribution centers and even participating in operating logistics nodes. In flourishing stage, Chinese brands prefer to construct overseas manufacturing factories to mitigate risks of cross-border transportation and promptly respond market demand.

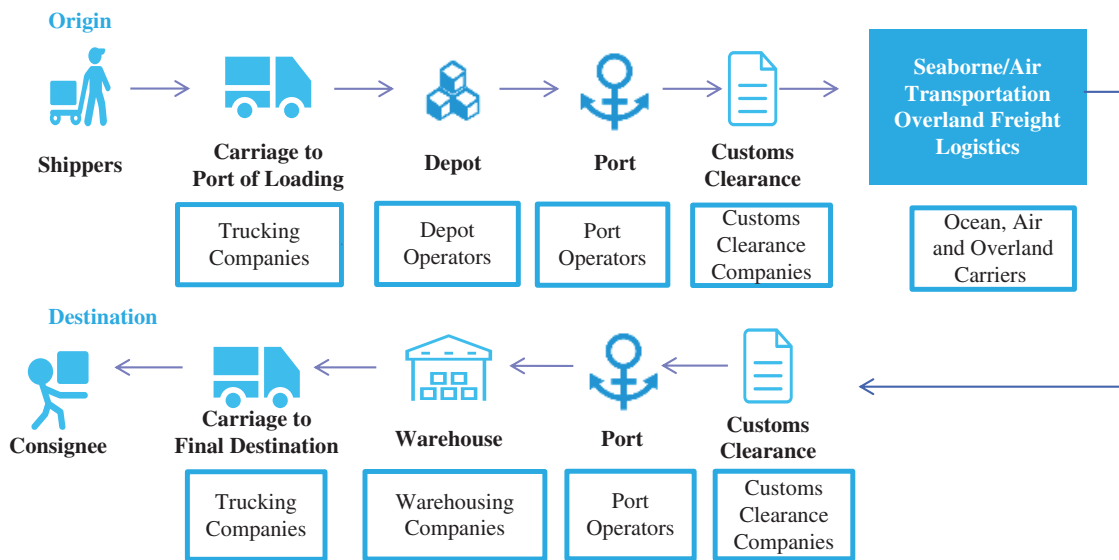
## INDUSTRY OVERVIEW

Chinese brands in flourishing stage are more likely to cooperate with the cross-border logistics service providers who have strong capabilities to integrate the logistics resources including warehousing, vessels and transportation, so that integrated cross-border logistics solutions could be provided to these Chinese brands. These solutions could enable Chinese brands in flourishing stage to effectively decrease the logistics cost and better control the risks from long-distance cross-border transportation.

### GLOBAL CROSS-BORDER LOGISTICS SERVICE MARKET

#### Overview

Cross-border logistics services primarily refer to a series of services that facilitate the delivery of cargos from shippers to consignees who are usually located in different countries. The chart below indicates the value chain of cross-border logistics services.



Source: Frost & Sullivan Report

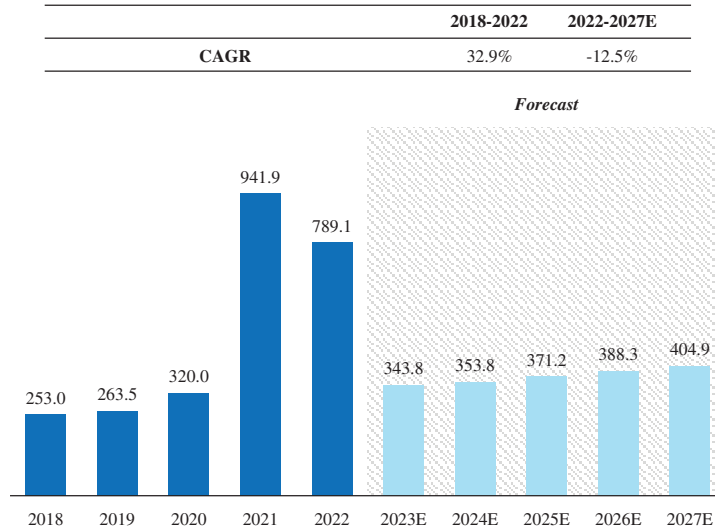
## INDUSTRY OVERVIEW

### The Market Size of Cross-border Logistics Service Market

#### *The market size of global cross-border logistics service market*

The chart below sets forth the market size of global cross-border logistics service market for the years indicated.

**Cross-border Logistics Service Market, Global**  
USD Billion; 2018-2027E



*Note: The market size refers to the sum of revenue generated by cross-border logistics service providers.*

*Source: Drewry, ICAO Air Transport Report, Freightos FBX and Frost & Sullivan Report*

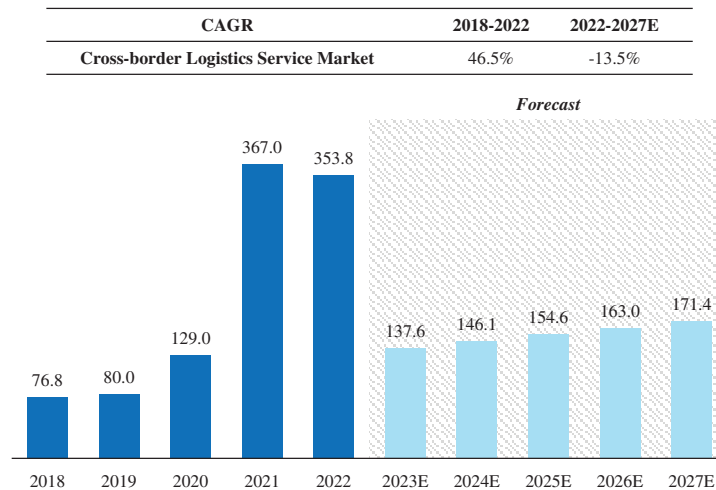
The market size of global cross-border logistics service is affected by shipping volume and prevailing freight rate in the cross-border logistics service market. The market size of global cross-border logistics service has significantly increased during the past few years, in particular from 2020 to 2021. In 2020, the outbreak of the COVID-19 gave rise to the shortage of shipping capacity and port congestion, which led to significant raise of freight rates for cross-border logistics services from 2020 to 2021. As restrictions of the COVID-19 pandemic are gradually lifted, cross-border shipping capacities are being released in the market. As a result, it is forecasted that the global cross-border logistics service market will experience considerable decrease in 2023 as compared to 2021 and 2022, but will remain above the pre-COVID level in 2019 and grow steadily from 2023 to 2027.

## INDUSTRY OVERVIEW

### *The market size of the cross-border logistics service market in China*

The chart below sets forth the market size of China’s cross-border logistics service market for the years indicated.

**Cross-border Logistics Service Market, China**  
USD Billion; 2018-2027E



*Note: The market size refers to the sum of revenue generated by cross-border logistics service providers in China.*

*Source: Drewry and Frost & Sullivan Report*

Propelled by the rapid expansion of China-based brands across the globe and boosted efficiency of digitalized logistics services, China’s cross-border logistics service market experienced a stable growth. Due to the outbreak of the COVID-19 pandemic, the price of cross-border logistics services increased notably. As the volume of cross-border logistics remained relatively stable during the COVID-19 pandemic while the price increased to a great extent, the cross-border logistics service market in China significantly increased to USD367.0 billion in 2021. As the effects of the COVID-19 pandemic on the cross-border logistics service market in China has gradually lessened, the cross-border logistics service market in China decreased to USD353.8 billion in 2022, which is expected to further decrease in 2023 but will remain above the pre-COVID level in 2019 and grow steadily from 2023 to 2027. The current size and expected development trend of the global and China’s cross-border logistics services markets are mainly related to the current and expected volume of exported freight and the cross-border freight rates.

## INDUSTRY OVERVIEW

### *Discussion of Shipping Volume and Freight Rates from 2023 to 2027*

The global and China cross-border logistics service markets are expected to experience considerable decrease in 2023 as compared to 2021 and 2022 but will remain above the pre-COVID level in 2019 and grow steadily from 2023 to 2027. The following tables set forth the global and China cross-border logistics service markets for the years indicated, with a breakdown of freight rates and shipping volume in each of the seaborne and air transportations for the corresponding periods:

#### *Global Cross-border Logistics Service Market*

	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	CAGR18-22	CAGR22-27E
Global Freight Rate of Seaborne Transportation (USD/TEU)	880.0	900.0	1,250.0	3,950.0	3,337.8	1,255.0	1,275.1	1,292.9	1,308.4	1,321.5	39.6%	-16.9%
Global Cross-border Seaborne Freight Volume (Million TEU)	192.0	202.0	193.0	207.0	200.8	207.6	214.5	221.3	228.2	235.0	1.1%	3.2%
Global Freight Rate of Air Transportation (USD/Ton)	2,160.0	2,150.0	2,600.0	3,500.0	3,622.5	2,336.5	2,091.2	2,143.5	2,194.9	2,245.4	13.8%	-9.1%
Global Cross-border Air Freight Volume (Million Ton)	38.9	38.0	30.3	35.5	32.8	35.6	38.4	39.7	40.9	42.0	-4.1%	5.0%
Global Cross-border Logistics Service Market (USD Billion)	253.0	263.5	320.0	941.9	789.1	343.8	353.8	371.2	388.3	404.9	32.9%	-12.5%

#### *China Cross-border Logistics Service Market*

	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	CAGR18-22	CAGR22-27E
China Freight Rate of Seaborne Transportation (USD/TEU)	907.7	901.5	1,579.7	4,566.0	4,794.2	1,580.0	1,614.8	1,647.1	1,676.7	1,703.5	51.6%	-18.7%
China Cross-border Seaborne Freight Volume (Million TEU)	62.8	67.0	65.4	70.9	69.1	71.7	74.5	77.2	80.0	82.7	2.4%	3.7%

## INDUSTRY OVERVIEW

	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	CAGR18-22	CAGR22-27E
China Freight Rate of Air Transportation (USD/Ton)	3,313.4	3,267.3	4,227.7	5,883.7	3,430.7	3,533.6	3,632.5	3,727.0	3,816.4	3,900.4	0.9%	2.6%
China Cross-border Air Freight Volume (Million Ton)	6.0	6.0	6.1	7.4	6.6	6.9	7.1	7.4	7.6	7.8	2.7%	3.4%
China Cross-border Logistics Service Market (USD Billion)	76.8	80.0	129.0	367.0	353.8	137.6	146.1	154.6	163.0	171.4	46.5%	-13.5%

According to Frost & Sullivan, the shipping volume of cross-border logistics services is expected to grow steadily. Specifically, global container shipping volume and global air transportation volume are expected to maintain stable growth at a CAGR of approximately 3.2% and 5.0%, respectively, between 2022 and 2027. For global container shipment, the regulators have extended terminal operating hours, increased height limit of containers temporarily stacked in the berths to enhance vertical storage space at the terminal and encouraged shippers to get containers out of the terminal faster. For global air transportation, the cross-border flights are also gradually resuming and alleviating the shortage of air shipping capacity.

Freight rates are expected to fluctuate from 2023 to 2027. In 2020, the outbreak of the COVID-19 pandemic gave rise to the shortage of shipping capacity and port congestion, which led to significant raise of freight rates for cross-border logistics services from 2020 to 2021. As restrictions of the COVID-19 pandemic are gradually lifted, cross-border shipping capacities are being released in the market. In addition, the improvement of labor supply have enabled ports to decongest. As a result, China Average Composite Containerized Freight Index has been decreasing since August 2022. Accordingly to Frost & Sullivan, the decline of freight rates in recent months signified that cross-border logistics service market is returning to normalcy.

According to Frost & Sullivan, while the freight rates have declined, it is highly unlikely that freight rates will fall below pre-COVID level in 2019 for the following reasons. First, the global e-commerce market will continue its rapid growth. As customers’ shopping habits have transitioned from traditional offline shopping to online channels, the global e-commerce market is expected to grow at a CAGR of 10.5% from 2022 to 2027. The rise of global e-commerce market will continue to stimulate demand for cross-border logistics services. Second, the falling freight rates have led to an increase in blank sailing of container transportation. Shipping carriers will continue to make capacity adjustment to align with demand fluctuation. The freight rates are expected to fluctuate during the short term, but they are unlikely to fall below pre-COVID level in 2019 in the long run.



## INDUSTRY OVERVIEW

### The Global Seaborne Transportation Markets

Cross-border seaborne transportation service is crucial in cross-border merchandise flow because it is relatively convenient and affordable. In the past years, global cross-border seaborne transportation market experienced stable growth. The proliferation of global retail and e-commerce market is expected to drive export volume and cross-border transportation needs, stimulating substantial demand for the industry. Among all trade lanes in global cross-border seaborne transportation market, the following trade lanes play a vital role:

- (i) Asia-North American trade lane, as more and more manufacturing capacity has been shifting from western countries towards eastern Asia in recent years, illustrating the increasing exporting volume through cross-border logistics;
- (ii) Asia-Latin America trade lane, as in the past few years, Asia has greatly expanded their trade activities across Latin America territories;
- (iii) Asia-Europe trade lane, as commercial and trade activities between Asia and European countries have been more flourishing through e-commerce channels; and
- (iv) Intra-Asia trade lane, as many supportive policies and treaties are actively promoting international trade of Intra-Asia trade lane, further facilitating the expansion of the logistics service market in Asia.

The table below sets forth the container shipping volume of the global seaborne transportation market and the major trade lanes measured by million TEUs for the years indicated:

	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
	<i>(TEUs Million)</i>									
Global seaborne transportation	192.0	202.0	193.0	207.0	200.8	207.6	214.5	221.3	228.2	235.0
Asia-North America trade lane	28.3	28.7	27.7	32.7	31.9	33.4	34.9	36.4	37.9	39.5
Asia-Latin America trade lane	2.5	2.5	2.4	2.8	2.7	2.8	2.9	3.0	3.2	3.3
Asia-Europe trade lane	24.3	24.7	23.0	26.3	25.7	26.6	27.5	28.5	29.4	30.3
Intra-Asia trade lane	27.0	24.0	26.0	34.0	32.7	34.3	36.0	37.7	39.4	41.1

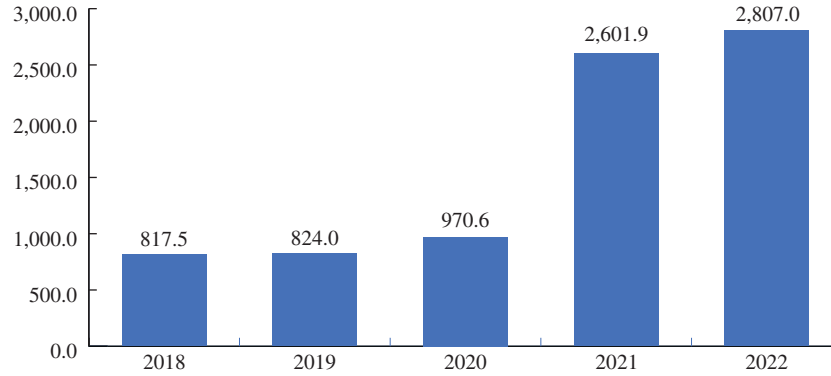
*Source: Clarkson, Alphaliner, Datamyne and Frost & Sullivan Report*

## INDUSTRY OVERVIEW

### China Containerized Freight Index

The chart below sets forth the China Average Composite Containerized Freight Index for the years indicated:

**China Average Composite Containerized Freight Index**

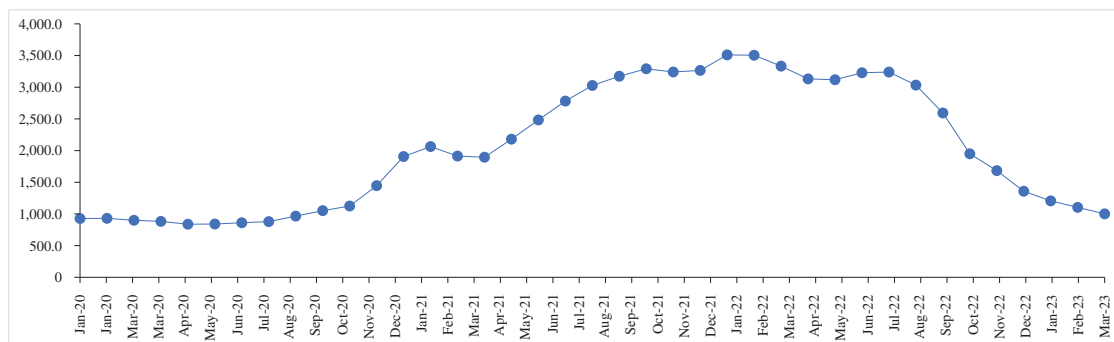


Source: Ministry of Transport of the People’s Republic of China

China Average Composite Containerized Freight Index increased significantly from 970.6 in 2020 to 2,601.9 in 2021, and further to 2,807.0 in 2022. The significant increase was primarily due to insufficient shipping capacity in cross-border logistics industry and low efficiency of port operation, resulted from the COVID-19 pandemic and the relevant restrictive measures.

In addition, the chart below sets forth the monthly China Average Composite Containerized Freight Index during the Track Record Period and up to the Latest Practicable Date:

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



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

## INDUSTRY OVERVIEW

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Since late 2022, there was a decline in the China Average Composite Containerized Freight Index, which decreased significantly from 2,807.0 in 2022 (on an annual monthly average basis) to 1,001.3 in March 2023 as compared to 1,913.6 and 3,332.7 in March 2021 and March 2022, respectively, on a monthly basis, while it was still higher than the pre-COVID level, which was 856.4 in January 2019.

### **The Ocean Shipping Reform Act of 2022 (the “OSRA 2022”)**

On June 16, 2022, the President of the United States signed into law the OSRA 2022, which amended the Shipping Act of 1984. The OSRA 2022 increases the authority of the Federal Maritime Commission (the “FMC”) to govern international ocean shipping and to promote the growth of export activities of the United States through a maritime system that is transparent, efficient, and fair. The OSRA aims to (i) expands safeguards to combat retaliation and deter unfair business practices; (ii) clarifies prohibited carrier practices pertaining to detention and demurrage charges and vessel space accommodation; (iii) establishes a shipping exchange registry through the FMC; (iv) expands penalty authority to include refund of charges; and (v) increases efficiency of the detention and demurrage complaint process, among other things. The impact of the OSRA 2022 is limited to market freight rates. Moreover, prohibiting unreasonable refusal of cargo space may, to some extent, prolong the length of shipping period, which is viewed as a positive boost on the ocean freight rate.

### **Competitive Landscape of the Cross-border Logistics Service Market in China**

#### *Top 15 cross-border logistics service providers in China*

The cross-border logistics service market in China is fragmented with top 15 service providers (privately owned and state-owned) holding only an aggregate 12.2% market share in terms of revenue in 2022. The top companies withhold strong capabilities to deliver goods with cross-border door-to-door services through self-operated heavy assets, comprehensive information system and bargaining power of seaborne/air transportation space booking. It is expected that more cross-border logistics service providers will enhance their cost-control abilities and develop centralized logistics system to strengthen their cross-border logistics service abilities.

## INDUSTRY OVERVIEW

The chart below sets forth top 15 cross-border logistics service providers in China in 2022.

Ranking by Revenue Derived from Cross-border Logistics Services, China, 2022						
Ranking	Company	Year Established	Headquarter	Revenue (USD Million)	Market Share	Background
1	I	2002	Beijing	14,787.7	4.2%	A leading comprehensive logistics service provider and integrator in China listed on Shanghai and Hong Kong Stock Exchange. Company I provides personalized logistics solutions and one one-stop logistics services.
2	J	2000	Hong Kong	8,627.6	2.4%	A Hong Kong Stock Exchange listed company. Company J is a leading logistics service provider that primarily offers integrated logistics services and international freight forwarding services (air, ocean, road, rail and multimodal).
3	CTS International Logistics	1984	Shanghai	3,282.9	0.9%	A Shanghai Stock Exchange listed company. The company is a leading comprehensive international third party logistics service and international logistics solution provider.
4	A	2009	Shenzhen	2,600.0	0.7%	An unlisted international logistics group. Company A is dedicated to providing end-to-end cross-border air transportation services and overseas warehouse services mainly to cross-border e-commerce sellers.
5	K	1990	Shandong	2,000.0	0.6%	An unlisted company primarily provides shipping agency services. Company K processes more than 100 international agency networks and its major routes include Europe, the Mediterranean, the black sea, U.S. and Canada, etc.
6	B	2009	Shandong	1,826.4	0.5%	A listed cross-border logistic company provides seaborne and air transportation services, including fragmented logistics services, contract logistics services and special supply chain services.
7	China Master Logistics Co., Ltd.	2006	Shandong	1,763.9	0.5%	A listed company provides cross-border seaborne transportation services, including freight forwarding, depot operation, vessel agency, domestic shipping transportation and large-scale item logistics.
8	L	1997	Hong Kong	1,550.0	0.4%	An unlisted logistics service provider that operates comprehensive point-to-point transportation services from air, ocean, and land transports to warehousing, logistics, inventory management, information and consultation services.
9	Dimerco Express Group	1971	Taiwan	1,473.8	0.4%	A Taipei Stock Exchange listed company dedicated to providing international logistics services and well-rounded logistics solutions with 150+ offices, 80+ contract operations and 200+ strategic partner agents.
10	D	2008	Zhejiang	1,200.0	0.3%	An unlisted international freight forwarder and NVOCC. The business coverage of company E includes freight forwarding, shipping agency, warehousing, trucking, customs declaration and clearance and bulk cargo.
11	C	1990	Shanghai	1,000.0	0.3%	An unlisted company provides end-to-end cross-border supply chain solutions, including seaborne and air transportation. Company C mainly focuses on the Asia-North America trade lanes.
12	F	1998	Beijing	900.0	0.3%	An unlisted cross-border logistics company which mainly provides integrated end-to-end logistic service to cross-border e-commerce sellers with domestic collection service.
13	E	2001	Shanghai	850.0	0.2%	An unlisted cross-border logistic service provider which mainly provides seaborne transportation service based on the self-owned bulk fleet, tank containers, trucks, hubs and warehouses.
14	G	1993	Jiangsu	804.3	0.2%	A listed cross-border logistics company which mainly provides international freight forwarding and integrated supply chain solution for manufacturing enterprises.
15	<b>Our Group</b>	<b>2004</b>	<b>Shandong</b>	<b>652.9</b>	<b>0.2%</b>	<b>Our Group is a private cross-border seaborne logistics service provider in China. The business primarily covers cross-border logistics services and vessel chartering services.</b>
<b>Total</b>				<b>43,319.4</b>	<b>12.2%</b>	

Note: The USD/RMB exchange rate is 6.72.

Source: Frost & Sullivan Report, annual reports and prospectuses of listed companies and interviews conducted by Frost & Sullivan with experts from leading market players.

The unnamed competitors in the chart above include Fujian Zongteng Network Co., Ltd., Bondex Supply Chain Management Co., Ltd., DE-WELL Container Shipping Inc., Southeast Logistics Group, Beijing Yanwen Logistics Co., Ltd, Shanghai Huanshi Logistics Co., Ltd., Jiangsu Feiliks International Logistics Inc., Shenzhen 4px Express Co., Ltd., Sinotrans Limited, Kerry Logistics, Cargo Service Far East and Honour Lane Shipping.

## INDUSTRY OVERVIEW

### *Top ten PRC-based privately owned cross-border logistics service providers in China*

The chart below sets forth top ten PRC-based privately owned cross-border logistics service providers in China in 2022.

Ranking by Revenue Derived from Cross-border Logistics Service Providers (PRC-based Privately Owned Companies), 2022						
Ranking	Company	Year Established	Headquarter	Revenue (USD Million)	Market Share	Background
1	A	2009	Shenzhen	2,600.0	0.7%	Company A is an unlisted international logistics group and is dedicated to provide end-to-end cross-border air transportation services and overseas warehouse services mainly to cross-border e-commerce sellers.
2	B	2009	Shandong	1,826.4	0.5%	Company B is a listed cross-border logistics company that provides seaborne and air transportation services, including fragmented logistics services, contract logistics services and special supply chain services.
3	China Master Logistics Co., Ltd.	2006	Shandong	1,763.9	0.5%	The company is a listed company providing cross-border seaborne transportation services, including freight forwarding, depot operation, vessel agency, domestic shipping transportation and large-scale item logistics.
4	D	2008	Zhejiang	1,200.0	0.3%	Company D is an unlisted international freight forwarder and NVOCC. The business coverage of Company K includes freight forwarding, shipping agency, warehousing, trucking, customs declaration and clearance and bulk cargo.
5	C	1990	Shanghai	1,056.4	0.3%	Company C is an unlisted company that provides end-to-end cross-border supply chain solution, including seaborne and air transportation. Company J mainly focuses on the Asia-North America trade lanes.
6	F	2001	Shanghai	900.0	0.3%	Company F is an unlisted cross-border logistics service provider which mainly provides seaborne transportation service based on the self-owned bulk fleet, tank containers, trucks, hubs and warehouses.
7	E	1998	Beijing	850.0	0.2%	Company E is an unlisted cross-border logistics company which mainly provide integrated end-to-end logistics service to cross-border e-commerce sellers with domestic collection service.
8	G	1993	Jiangsu	804.3	0.2%	Company G is a listed cross-border logistics company which mainly provide international freight forwarding and integrated supply chain solution for manufacturing enterprise.
9	<b>Our Group</b>	<b>2004</b>	<b>Shandong</b>	<b>652.9</b>	<b>0.2%</b>	<b>Our Group is an unlisted cross-border seaborne logistics service provider in China. The business primarily covers cross-border logistics services and vessel chartering services.</b>
10	H	2004	Shenzhen	640.0	0.2%	Company H is an unlisted company mainly focusing on providing cross-border e-commerce sellers with integrated cross-border air transportation services.
<b>Total</b>				<b>12,237.5</b>	<b>3.5%</b>	

Note: The USD/RMB exchange rate is 6.72.

Source: Frost & Sullivan Report, annual reports and prospectuses of listed companies and interviews conducted by Frost & Sullivan with experts from leading market players.

## INDUSTRY OVERVIEW

### *Top ten cross-border seaborne transportation logistics service providers in China*

The chart below sets forth top ten cross-border seaborne transportation logistics service providers in China in 2022.

Ranking by Revenue Derived from Cross-border Seaborne Transportation Logistics Service Provider, China, 2022					
Ranking	Company	Year Established	Headquarter	Revenue (USD Million)	Market Share
1	I	2002	Beijing	7,387.2	2.2%
2	J	2000	Hong Kong	2,800.0	0.8%
3	China Master Logistics Co., Ltd.	2006	Shandong	1,763.9	0.5%
4	B	2009	Shandong	1,500	0.5%
5	CTS International Logistics	1984	Shanghai	1,464.3	0.4%
6	K	1990	Shandong	1,050.0	0.3%
7	L	1997	Hong Kong	920.0	0.3%
8	D	2008	Zhejiang	840.0	0.3%
9	C	1990	Shanghai	800.0	0.2%
10	<b>Our Group</b>	<b>2004</b>	<b>Shandong</b>	<b>652.9</b>	<b>0.2%</b>
	<b>Total</b>			<b>19,178.3</b>	<b>5.8%</b>

Note: The USD/RMB exchange rate is 6.72.

Source: Frost & Sullivan Report, annual reports and prospectuses of listed companies and interviews conducted by Frost & Sullivan with experts from leading market players.

### *Top five PRC-based privately owned cross-border seaborne transportation logistics service providers in China*

The chart below sets forth top five PRC-based privately owned cross-border seaborne transportation logistics service providers in China in 2022.

Ranking by Revenue Derived from Cross-border Seaborne Transportation Logistics Service Provider (PRC-based Private Enterprises), 2022				
Ranking	Company	Revenue (USD Million)	Market Share	Self-operated cross-border seaborne transportation service capacity
1	China Master Logistics Co., Ltd.	1,763.9	0.5%	No
2	B	1,500	0.5%	No
3	D	840.0	0.3%	No
4	C	800.0	0.2%	No
5	<b>Our Group</b>	<b>652.9</b>	<b>0.2%</b>	<b>Yes</b>
	<b>Total</b>	<b>5,556.8</b>	<b>1.7%</b>	

Note: The USD/RMB exchange rate is 6.72.

Source: Frost & Sullivan Report, annual reports and prospectuses of listed companies and interviews conducted by Frost & Sullivan with experts from leading market players.

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## INDUSTRY OVERVIEW

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### **Key Growth Drivers for the Cross-border Logistics Service Market in China**

#### *Accelerated overseas expansion of PRC-based brands spawns demand for diverse cross-border logistics services*

There is an increasing number of Chinese brands expanding their business in different geographic markets around the world, driven by maturing business models on the backdrop of a well-established value chain in China. For new market entrants emphasizing on the timeliness of shipping but are concerned on logistics management costs, the end-to-end logistics service providers are able to shorten lead time by offering on-demand delivery. Moreover, end-to-end logistics service providers can provide value-added services, such as sophisticated operation, management and planning. For well-developed brands equipped with overseas infrastructures like warehouses or distribution centers, customized and fragmented cross-border logistics service is catered for their needs to satisfy purchasers with a high-quality and stable shopping experience.

#### *The COVID-19 pandemic significantly facilitated the cross-border logistics service in China*

##### *Accelerating overseas market expansion*

The Chinese government responded swiftly to the COVID-19 pandemic and implemented a series of policies to control the spread of it. Compared to the situations in overseas economies with tight production capabilities and delayed logistics, Chinese exporters are more likely to seize the opportunities in overseas markets leveraging capabilities and resilience of China’s economy.

##### *Changing in consumption habits*

The COVID-19 pandemic has significantly hindered offline consumption due to social distancing policies and compelled mass closures of retail stores. As a result, consumers’ shopping behaviors have extensively transformed from offline to online. The COVID-19 pandemic has created opportunities for market participants to optimize online infrastructure and logistics services to meet consumers’ ever-changing demands.

##### *Supportive policies released by governments*

Government regulation is one of the bedrocks for the development of the cross-border e-commerce market and related logistics service market. The Chinese government proposed a “dual circulation” measure, which indicates to “accelerate the formation of a new pattern of development in which domestic and foreign circulations reinforce each other” to stimulate the economic development. Policies such as establishing the Comprehensive Bonded Zones and exempting the value-added taxes and consumption taxes extensively propelled the growth of China’s cross-border e-commerce market and cross-border logistics service market in the scale of import and export trade.

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## INDUSTRY OVERVIEW

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### *Digitalization gives an essential impetus for logistics efficiency*

Digital technologies such as blockchain, IoT, RFID and AI are applied to optimize planning, sourcing and tracking throughout the whole cross-border logistics. Besides, the COVID-19 pandemic has hastened the cross-border logistics to shift towards digitalization due to strict health protocols that largely moved away face-to-face manual logistics operation and transaction. Cross-border logistics service providers have established comprehensive platforms to connect each key process of logistics, making delivery services more transparent and efficient.

### **Development Trend for the Cross-border Logistics Service Market in China**

#### *Deeper adoption of visualization and cloud technology*

The digitalization which involves data visualization and cloud technology throughout whole cross-border logistics is anticipated to be the key for efficiency improvement. It emerges to operate logistics platforms jointly between consumers, retailers or merchants and suppliers by assessing, integrating and visualizing real-time logistics and operation overview by tracking each stage of cross-border logistics. The transparency and visibility of delivery and transportation process enable companies to optimize operational performance and customers to monitor their orders as they move across the whole logistics process, bringing customers trust and strong end-user stickiness. Consequently, more cross-border retailers and merchants are attracted to access logistics service from integrated cross-border logistics service providers.

#### *Intensified competition provokes increasing concentration*

The competitive landscape of the cross-border logistics service market is expected to be concentrated in the long run. The leading cross-border logistics service providers tend to operate essential trade routes on their own and establish field stocking locations and warehouses to provide stable and standardized services, strengthening their competitive advantages of integrating and controlling freight, warehousing and delivery resources. In addition, top market players will continuously expand their market shares by merger and acquisition activities.

#### *Platform-based and integrated cross-border logistics services strengthen companies' competitive advantages*

Due to divergent product lines and various customer segments, brand owners are encountering more fragmented destinations, smaller load, and higher frequency of delivery schedules. Freight and forwarding demands are shifting from full container load towards less-than-container load, revealing a lucrative market of platform-based and integrated cross-border logistics services. Platform-based logistics service is based on extensive transportation resources including self-operated and third parties shipping networks to serve customers according to industry segment, customer density, distance, responsiveness required and the value and quantity of the products. Further, integrated cross-border logistics services empower brand owners, retailers and manufacturers to enhance their transparency and efficiency of logistics. The platform-based and integrated cross-border logistics services facilitate companies to achieve commercial success in the competition.



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## INDUSTRY OVERVIEW

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### *Increasing demand for the stability and safety of cross-border logistics services*

Due to the ever-changing international environment, it is crucial for cross-border logistics service providers to fulfill their promise of on-time delivery at a predictable cost to customers. Meanwhile, the increasing variety of cross-border consignors involving B2B or B2C e-commerce sellers require not only large-scale or repetitive industrial shipments but also highly variable and specific orders that form the bulk of e-commerce transactions. Such orders with small quantity but high frequency have to be served by sophisticated and reliable cross-border logistics services for consignors to provide their customers with a high degree of certainty in terms of full cost and transit time.

### *Increasing investments in self-owned fixed assets to strengthen fulfillment capability*

In the long run, more and more industry players are expected to increase their investments in fixed assets, such as vessels and warehouses to enhance the precision and stability in cross-border seaborne transportation capacity. The service providers equipped with self-owned cross-border seaborne transportation and warehousing capabilities can better grasp the logistics information in the first moment and provide most value-to-money price towards customers, resulting in acquiring continuously-growing number of customers looking for stable and high-quality logistics service.

## **Entry Barriers for the Cross-border Logistics Service Market in China**

### *Comprehensive network and industry resources*

Extensive geographic coverage, sufficient freight capability on essential trade lanes, and integrated end-to-end resources are pillars for cross-border logistics service providers to maintain leadership. A comprehensive network and industry resources can meet customers' ever-changing demand by providing flexible and miscellaneous logistics solutions. Further, a comprehensive network and industry resources enable leading cross-border logistics service providers to grasp opportunities in considerable verticals, such as e-commerce. New entrants are not able to build such comprehensive network with limited capability and resources.

### *Self-operated cross-border seaborne transportation*

Self-operated cross-border seaborne transportation helps cross-border logistics service providers to improve operating efficiency and customer stickiness and satisfaction. Moreover, it benefits top players with stable transportation cost and capability compared to traditional or new market players which heavily rely on third parties. New market entrants would need significant capital resources to fund their operations of self-operated cross-border seaborne transportation and cover the procurement costs of heavy assets.

## INDUSTRY OVERVIEW

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### *Digitalization in management and operation*

Cross-border logistics service providers need to have good command of industry know-how and be equipped with digitalization systems, which can greatly improve management efficiency, to mitigate operation risks to a large extent. Therefore, top market players across the whole logistics chain can make operations smoother and services more competitive leveraging advanced digitalized information systems. Lacking strong capital investment and industry expertise, new market entrants may face difficulties in establishing information systems in each stage of cross-border logistics services to cater various demands from customers.

### *Strong customer relationship*

The long-term cooperation and diverse client base contribute sustainable demand to cross-border logistics services. Specifically, large client base and solid customer relationships guarantee ever-increasing scale and density of orders, making market players the best use of resources and infrastructure. Moreover, leveraging high operation efficiency and notable brand name, leading market players can attract customers more easily than new entrants.

### *Industry expertise and authorized certifications*

The cross-border logistics service market is highly complicated. Market players are required to deal with various authorized licenses and qualifications. The cross-border logistics service providers are bound to have the ability to deal with customs brokerage, warehouse management, freight and forwarding business to overcome underlying obstacles and mitigate uncertainties. Multiple license and qualification requirements for operating shipping routes among different countries can be major barriers for new entrants.

### **Cost Analysis**

The main factors affecting the costs for cross-border logistics service industry include container vessel charter rates, global bunker prices and global cross-border seaborne transportation rates.

The containership charter rates and global cross-border seaborne transportation rates increased dramatically in 2021. Due to the ongoing COVID-19 pandemic, major ports have limited capacity to manage incrementing freight volume, resulting in an uneven distribution of cross-border seaborne transportation service capacity globally. From 2018 to 2022, the global cross-border seaborne transportation rates increased from approximately USD880.0 per TEU to USD3,318.0 per TEU, representing a CAGR of approximately 39.3%.

After a sharp drop in 2020 triggered by the COVID-19 pandemic and the subsequent decrease in economic activities around the world, the global bunker prices have experienced a continuous upward trend regarding the growth in prices for marine gas oil, low sulfur fuel oil and high sulfur fuel oil.

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## REGULATORY OVERVIEW

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### OVERVIEW

The Group is principally engaged in the provision of integrated cross-border logistics services. Our operations are subject to regulations enacted by the PRC government, relevant international organizations, and the Hong Kong governments. During the Track Record Period, the Group’s business and operations are principally based in PRC and are subject to relevant laws and regulations and government supervision in the PRC. Vessels used by our Group shall be in compliance with various conventions. Our cross-board logistics services are also subject to rules and regulations adopted by various regulatory bodies such as IMO from time to time. Our Group also carries out business and operation in Hong Kong which are subject to certain rules and regulations in Hong Kong.

### LAWS AND REGULATIONS RELATING TO OUR BUSINESS IN THE PRC

Our business in China is subject to relevant laws and regulations and government regulation. This section sets out a summary of the relevant major laws, regulations, rules and policies that may have a significant impact on our business, in particular those relating to: (i) international shipping and transportation; (ii) telecommunications; (iii) environmental protection; (iv) intellectual property; (v) foreign investment and overseas investment; (vi) customs; (vii) overseas securities offering and listing of domestic companies; (viii) employment and social security; (ix) tax; (x) data security; (xi) foreign exchange control; (xii) property leasing and (xiii) international laws and regulations.

#### Laws and Regulations Relating to International Shipping and Transportation

##### *International Seaborne Transportation Regulations*

Pursuant to the Maritime Traffic Safety Law of the People’s Republic of China (《中華人民共和國海上交通安全法》) promulgated by the Standing Committee of the National People’s Congress (the “**NPC Standing Committee**”) on September 2, 1983, amended on April 29, 2021 and implemented on September 1, 2021, vessels of Chinese nationality, offshore installations and shipping containers installed in the waters within the jurisdictions of China, and major maritime equipment, parts and materials related to maritime traffic safety determined by the maritime safety administration of the state shall comply with the applicable laws and administrative regulations, rules, as well as the requirements of mandatory standards and technical specifications, pass the inspections of vessel survey institutions, and obtain the corresponding certificates and documents. Vessels shall be manned with qualified crew members according to a standard quota to ensure the vessels’ safety. When vessels or installations store, load, unload or transport dangerous goods, they must maintain safe and reliable equipment and conditions and observe the state provisions governing the control and transport of dangerous goods. When vessels load and transport dangerous goods, they must go through the procedures for declaration to the competent authority, and they may not enter or leave the harbor or load or unload until approval has been obtained.

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## REGULATORY OVERVIEW

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According to the Regulations of the People’s Republic of China on International Ocean Shipping (《中華人民共和國國際海運條例》) (the “**Regulations on International Ocean Shipping**”) promulgated by the State Council on December 11, 2001 and last amended and implemented on March 2, 2019, and the Implementation Rules for the Regulations of the People’s Republic of China on International Ocean Shipping (《中華人民共和國國際海運條例實施細則》) (the “**the Implementation Rules for the Regulations on International Ocean Shipping**”) promulgated by the Ministry of Communications (currently known as the “**Ministry of Transport**”) of the People’s Republic of China on January 20, 2003 and last amended and implemented by the Ministry of Transport of the People’s Republic of China (the “**Ministry of Transport**”) on November 28, 2019, the international shipping business is normally classified as self-owned/operated ship carrier and non-vessel operating common carrier business. Any of the PRC business corporation operating international shipping business with its self-owned/operated vessels is required to obtain the International Shipping Transportation Operation Permit (《國際船舶運輸經營許可證》) issued by the Ministry of Transport, and any entity operating non-vessel common carrier business is required to obtain the Non-Vessel Shipping Business Operation Qualification Registration Certificate (《無船承運業務經營資格登記證》) issued by the Ministry of Transport. International shipping service operators are required to apply to the Ministry of Transport for registration of international liner shipping business qualifications for operating international liner shipping business. For new or suspended international liner shipping routes, or changes in international liner shipping vessels or schedules, they shall be announced 15 days in advance and shall be filed with the Ministry of Transport within 15 days from the date of occurrence. If a Chinese international shipping operator increases the number of vessels in operation, including increasing the number of vessels on bareboat charter, it shall file with the Ministry of Transport 15 days prior to the commencement of operation and obtain the filing certification documents.

Pursuant to the Notice on Relevant Approval and Recordation Matters Concerning the International Shipping Business and Maritime Transportation between the Mainland and Hong Kong or Macao 《關於國際船舶運輸及內地與港澳間海上運輸業務相關審批備案事項的通知》 (Jiao Ban Shui Han [2019] No. 681) issued and implemented by the General Office of the Ministry of Transport on May 14, 2019, where an enterprise registered inside China engages in international container vessel (excluding vessels engaging in international container liner transportation, hereafter the same) or general cargo vessel transportation business, it shall own at least one vessel commensurate with its business scope, and, within 15 days after the business activity starts, file the relevant enterprise information (including company name, place of registration, legal representative, and contact information, among others) and the information of the vessel(s) it owns and operates (including Chinese and English names of the vessel(s), IMO number(s), flag(s), construction time, TEU, and gross tonnage, among others) with the provincial transport department at the place of registration. Where an enterprise registered inside China adds any container vessel or general cargo vessel engaged in international shipping, it shall, within 15 days after the vessel is put into operation, file relevant information (including the Chinese and English names of the vessel, IMO number, flag, construction time, TEU, and gross tonnage, among others) with the provincial transport department at the place of registration. Where an enterprise or vessel no longer engages in international container vessel or general cargo vessel transportation, it shall, within 15 days after the relevant business activity terminates, file relevant information with the provincial transport department at the place of registration.

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Pursuant to the Decision of the State Council to Cancel and Delegate to Lower-level Authorities a Group of Administrative Licensing Items (《國務院關於取消和下放一批行政許可事項的決定》) (Guo Fa [2019] No. 6) issued and implemented by the State Council on February 27, 2019 and the Announcement of the Ministry of Transport on Publishing In-process and Ex-post Regulatory Measures to Be Adopted After the cancellation of and the Delegation of Authority for Ten Transport Administrative Approval Items (《交通運輸部關於公佈十項交通運輸行政許可事項取消下放後事中事後監管措施的公告》) issued and implemented by the Ministry of Transport on March 27, 2019, the State Council decided to cancel the in-process and ex-post regulatory measures after “the approval of the international container vessel and general cargo transportation business”. After the approval is canceled, it shall be replaced with recordation, and the relevant filing shall be implemented by the competent department of transportation at the provincial level.

### *Freight Rates*

According to the Regulations on International Ocean Shipping and its implementation rules, freight rates are classified into publicized freight rates and negotiated freight rates, both of which are required to be filed with the Ministry of Transport. Publicized freight rates refer to the freight rates stated on the freight rate book of the international shipping operator and non-vessel operating common carrier, which shall take effect 30 days after the date of acceptance of the filing by the Ministry of Transport; negotiated freight rates refer to the freight rates agreed upon by the international shipping operator and the cargo owner and non-vessel operating common carrier, which shall take effect 24 hours after the date of acceptance of the filing by the Ministry of Transport. Pursuant to the Announcement of Ministry of Transport on the Implementation Measures for Detailed Recordation of Freight Rates of International Container Liner (《交通運輸部關於國際集裝箱班輪運價精細化報備實施辦法的公告》) promulgated by the Ministry of Transport on October 15, 2013 and implemented on November 15, 2013, the Shanghai Shipping Exchange was designated as the accepting authority for the filing of container freight rates.

### *Containers*

According to the Regulations of the People’s Republic of China Governing Survey of Ships and Offshore Installations (《中華人民共和國船舶和海上設施檢驗條例》) promulgated by the State Council on February 14, 1993 and last amended and implemented on March 2, 2019, owners or operators of containers must apply to a ship – survey organization established or designated by the Register of Shipping for: (1) construction survey for their containers that are under production; (2) periodical survey for their containers that are in use. After the container has passed the survey, the ship – survey organization shall issue the corresponding inspection certificate in accordance with the regulations.

According to the Measures for the Administration of Inspection and Quarantine over Inward and Outward Containers (《進出境集裝箱檢驗檢疫管理辦法》) promulgated by the General Administration of Customs on January 11, 2000 and last amended on April 28, 2018 and implemented on May 1, 2018, all filled and empty containers that are entering or leaving

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the PRC or in transit shall meet International Standards Organization requirements and shall be subject to the inspection and quarantine. The General Administration of Customs shall be in charge of the administration of inspection and quarantine over inward and outward containers of the PRC. The competent customs offices shall be responsible for the work of inspection and quarantine and the supervision and administration on the containers entering and exiting the territory within their own jurisdictions. Before or at such time as a container leaves the PRC, or when it is in transit, the shipper, cargo owner or the agent (hereinafter referred to as the applicant for the inspection) shall report it to the customs for inspection. The customs shall carry out inspection and quarantine on the containers applied for inspection in accordance with relevant regulations. The customs at the port of entry shall carry out the inspection for the containers in transit that are subject to inspection, and the customs at the port of departure shall no longer carry out inspection and quarantine. The applicant for the inspection of inward container shall report to the customs at the port of entry for inspection, and shall not arrange collection or deconsolidation for the containers without the approval of the customs.

### *Transportation of Goods*

Pursuant to the Provisions on the Safety Supervision and Administration of Carriage of Hazardous Goods by Vessels (《船舶載運危險貨物安全監督管理規定》) promulgated by the Ministry of Transport on July 31, 2018 and implemented on September 15, 2018, a vessel carrying hazardous goods shall pass the inspection of the vessel inspection institution accepted by the maritime safety administration of the state, obtain a corresponding inspection certificate and documents, and remain in good conditions. A vessel carrying hazardous goods that enters or exits a port shall, 24 hours before entering or exiting a port (before the departure from the previous port, where the voyage is less than 24 hours), undergo the declaration of hazardous goods carried by the vessel with the maritime safety administration and file an application and the certification materials required by the relevant rules and regulations of the Ministry of Transport, and may not enter or exit a port until approval of the maritime safety administration has been obtained.

### *Registration of Ships*

Pursuant to the Regulations of the People's Republic of China Governing the Registration of Ships (《中華人民共和國船舶登記條例》) promulgated by the State Council on June 2, 1994 and last amended and implemented on July 29, 2014, ships owned by enterprises with legal person status established under the laws of the People's Republic of China and whose principal places of business are located within the territory thereof shall be registered. Ships are allowed to sail under the national flag of the People's Republic of China only after being registered according to law and granted the nationality of the People's Republic of China. No ship may sail under the national flag of the People's Republic of China without being registered. A shipowner applying for registration of the ownership of a ship shall obtain the certificate of registration of ship's ownership.



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### *NVOCC Business*

According to the Regulations on International Ocean Shipping and its implementation rules, the NVOCC business refers to the international ocean shipping business operations of a non-vessel operating common carrier to accept the cargo of the shipper as the carrier, take the freight charges from the shipper by issuing his own bills of lading or other transport documents, international ocean shipment of goods through international shipping operators and bear the responsibilities of the carrier, including the following activities conducted by a non-vessel operating common carrier of goods for the completion of the business above: (1) signing international cargo transportation contract with the consignor as the carrier; (2) accepting and delivering the goods as the carrier; (3) issuing the bills of lading or other transportation documents; (4) collecting freight and other remunerations for the service; (5) booking shipping slots and handling consignment for the goods carried with the international shipping operators or operators of other transportation means; (6) paying charges or other transportation fees; (7) devanning and consolidating containers; and (8) other relevant businesses.

According to the Regulations on International Ocean Shipping and its implementation rules, all non-vessel operating common carrier shall register the bill of lading and record the freight rates (including publicized freight rates and negotiated freight rates) with the department in charge of transportation under the State Council, and shall pay the security deposit. If a non-vessel operating common carrier applies for registration of its bill of lading, it shall file an application with the Ministry of Transport and submit the relevant materials. Upon receipt of the materials from the applicant, the Ministry of Transport will review the application in accordance with the relevant regulations. If the application is approved, the bill of lading will be registered and the Non-Vessel Operating Common Carrier Qualification Registration Certificate (《無船承運業務經營資格登記證》) will be issued. If the non-vessel operating common carrier uses two or more types of bills of lading, all types of bills of lading must be registered. If there is an alteration in the registered bill of lading, a sample of the new bill of lading must be filed with the Ministry of Transport 15 days prior to the date of use of the new bill of lading.

Pursuant to the Notice on Relevant Approval and Recordation Matters Concerning the International Shipping Business and Maritime Transportation between the Mainland and Hong Kong or Macao (《關於國際船舶運輸及內地與港澳間海上運輸業務相關審批備案事項的通知》) issued and implemented by the General Office of the Ministry of Transport on May 14, 2019, an enterprise engaging in NVOCC business shall, within 15 days after the relevant business activity starts, file the enterprise’s basic information (include company name, place of registration, legal representative, and contact information, among others) with the provincial transport authority at the place of registration. A non-vessel operating common carrier that terminates its NVOCC business shall undergo the recordation formalities for terminating operations with the provincial transport authority at the place of registration.

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Pursuant to the Decision of the State Council to Cancel and Delegate to Lower-level Authorities a Group of Administrative Licensing Items (《國務院關於取消和下放一批行政許可事項的決定》) (Guo Fa [2019] No. 6) issued and implemented by the State Council on February 27, 2019 and the Announcement of the Ministry of Transport on Publishing In-process and Ex-post Regulatory Measures to Be Adopted After the cancellation of and the Delegation of Authority for Ten Transport Administrative Approval Items (《交通運輸部關於公佈十項交通運輸行政許可事項取消下放後事中事後監管措施的公告》) issued and implemented by the Ministry of Transport on March 27, 2019, the State Council decided to cancel the examination and approval of NVOCC business and replaced it with recordation, and the relevant filing shall be implemented by the competent department of transportation at the provincial level. All transportation authorities at provincial level may use the unified process of the Ministry-level Waterway Transportation Construction Integrated Management Information System (部級水路運輸建設綜合管理信息系統) to handle relevant businesses such as filing.

### *International Liner Shipping Business*

Pursuant to the Regulations on International Ocean Shipping and the implementation rules thereof, international liner shipping business refers to the provision of international maritime transportation of goods or passengers on a regular basis between fixed ports by using self-owned or operating vessels, or by means of joint fleet, slot exchange or associated operation, among others. An international shipping operator shall file an application with the Ministry of Transport for operating international liner shipping business passing through ports of China. The competent transportation authority under the State Council shall complete the review within 30 days upon receipt of the application for operating international liner shipping business, and an International Liner Shipping Operation Qualification Registration Certificate shall be issued if the registration is granted.

### *International Freight Forwarding*

Pursuant to the Administrative Regulations of the People's Republic of China on International Freight Forwarding Industry (《中華人民共和國國際貨物運輸代理業管理規定》) promulgated and implemented by the State Council on June 29, 1995, international freight forwarding industry refers to the industry where an agent, being entrusted by consignees or consignors of import or export goods, carries out international cargo transportation and related business for its principals in their names or in the agent's own name and receive remunerations for its services. If an application for establishing an international freight forwarding enterprise is to be made, the applicant shall apply to the local competent authority of foreign trades at the place where such enterprise is intended to be established. After being commented by the local competent authority of foreign trades, the application shall be submitted to the competent authority of foreign trades and economic cooperation under the State Council for its review and approval. The competent authority of foreign trades and economic cooperation under the State Council shall decide whether to grant an approval within 45 days upon receipt of application form and other documents for establishing an international freight forwarding enterprise, and issue a certificate of approval to the enterprise being approved to be established.



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Pursuant to the Interim Measures for Filing of International Freight Forwarding Enterprises (《國際貨運代理企業備案(暫行)辦法》) which was promulgated on March 2, 2005, last amended and implemented on August 18, 2016 by the Ministry of Commerce of the People’s Republic of China, any international freight forwarding enterprise and its branches (“**IFFE**”) that are registered with the State administrative authority of industry and commerce according to law shall complete the filing with the MOFCOM or an institution entrusted by the MOFCOM. The filing authority shall complete the filing procedures within 5 days upon receipt of application materials submitted by the IFFE and affix the filing seal on the Filing Form of International Freight Forwarding Enterprise.

### *Road Transportation*

Pursuant to the Regulations on Road Transportation of the People’s Republic of China (《中華人民共和國道路運輸條例》) which was promulgated on April 30, 2004, last amended on March 29, 2022 and implemented since May 1, 2022 by the State Council, road transportation business is classified into road passenger transportation business and road cargo transportation business (“**cargo transportation business**”). Applicants for engaging in cargo transportation business shall file an application with the competent government authority of transportation after completing relevant registration procedures with the market regulation authority according to law. Where an approval is granted by the competent transportation authority, a road transportation business license shall be issued to the applicant, and the vehicles utilized for transportation by the applicant shall be issued the vehicle operation licenses.

Pursuant to the Administrative Regulations on Road Freight Transportation and Stations (《道路貨物運輸及站場管理規定》) which was promulgated on June 16, 2005, last amended and implemented on September 26, 2022 by the Ministry of Transport, operations of road freight transportation refer to the commercial activities of road freight transportation that provide public services to the society. Road freight transportation includes general road freight transportation, special road freight transportation, road transportation of large articles and road transportation of hazardous cargos. Among which, special road freight transportation refers to the freight transportation using special vehicles with containers, refrigeration equipment or tank containers, among others. Applicants for engaging in road freight transportation business shall file an application with the road transportation administrative body at the county level after completing relevant registration procedures with the market regulation authority according to law. If the road transportation administrative body decides to grant an administrative approval regarding the application of road freight transportation business that satisfies the statutory requirements, it shall issue a Road Transportation Business License to the licensee with the business scope specified thereon.

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### Laws and Regulations Relating to Telecommunications

Pursuant to the Regulations on Telecommunications of the People’s Republic of China (《中華人民共和國電信條例》) (the “**Regulations on Telecommunications**”) which was promulgated on September 25, 2000, last amended and implemented on February 6, 2016 by the State Council, a licensing system has been in place for the operation of telecommunication business that are classified according to the types of such business. To operate telecommunication business, a telecommunication business license must be obtained from the competent information industry authority under the State Council or the telecommunication administrative authorities of the relevant provinces, autonomous regions or municipalities. Telecommunication business is classified into basic telecommunication business and value-added telecommunication business. Value-added telecommunication business refers to the business of providing telecommunication and information services by utilizing public network infrastructure. Entities which engage in the value-added telecommunication business covering not more than one administrative region of a province, autonomous region or municipality must be subject to review and approval by the telecommunication administrative authority of such province, autonomous region or municipality and obtain a Value-added Telecommunication Business License.

Pursuant to the Administrative Regulations on Foreign-Invested Telecommunication Enterprises (《外商投資電信企業管理規定》) which was promulgated on December 11, 2001, amended on March 29, 2022 and implemented since May 1, 2022 by the State Council, foreign-invested telecommunication enterprises may engage in value-added telecommunication business, provided that the ultimate proportion of capital contribution from the foreign investors of a foreign-invested telecommunication enterprise engaging in value-added telecommunication business (including radio paging business under the basic telecommunication business) shall not be more than 50%.

### Laws and Regulations Relating to Environmental Protection

Pursuant to the Marine Environment Protection Law of the People’s Republic of China (《中華人民共和國海洋環境保護法》) which was promulgated on August 23, 1982, last amended on November 4, 2017 and implemented on November 5, 2017 by the Standing Committee of the National People’s Congress, no vessels and related operations are allowed to discharge pollutants, wastes and ballast water, ship garbage and other hazardous substances into the seas under the jurisdiction of the People’s Republic of China in violation of the requirements thereunder. Any carrier, cargo owner or agent of any vessel arriving or leaving a port which carries hazardous polluting cargoes must report to the competent maritime administrative authority in advance, and such vessel may not arrive or leave the port, stay in transit or carry out cargo handling operations until approval has been obtained. All vessels are obligated to monitor marine pollution and must immediately report to the nearest available authority, which exercises its supervision and administration power over marine environment in accordance with the provisions hereunder, in the event that any marine pollution incident or any breach of the provisions hereunder has come to their attention, unless otherwise provided by the state.

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Pursuant to the Law on the Prevention and Control of Atmospheric Pollution of the People's Republic of China (《中華人民共和國大氣污染防治法》), which was promulgated on September 5, 1987, last amended and implemented on October 26, 2018 by the Standing Committee of the National People's Congress, vessel inspection institutions shall conduct emission inspections on vessel engines and related equipment. A vessel may operate only if it has met the State emission standards after inspection. International shipping vessels shall use marine fuel that satisfies the control requirements of atmospheric pollutants after berthing at ports.

Pursuant to the Administrative Provisions on the Prevention and Control of Marine Environmental Pollution Caused by Vessels (《防治船舶污染海洋環境管理條例》) which was promulgated on September 9, 2009, last amended and implemented on March 19, 2018 by the State Council, and the Administrative Regulations on the Prevention and Control of Marine Environmental Pollution Caused by Vessels and Their Relevant Operations of the People's Republic of China (《中華人民共和國船舶及其有關作業活動污染海洋環境防治管理規定》) which was last amended and implemented on May 23, 2017 by the Ministry of Transport, a vessel shall obtain and bring along the corresponding certificates and documents relating to the prevention and control of marine environmental pollution caused by vessels. A vessel owner, operator or manager shall formulate contingency plans for preventing and controlling marine environmental pollution caused by vessels and their relevant operations, and submit to the maritime administrative authority for filing. Any vessel garbage, sewage, oily waste water, waste water containing toxic and hazardous substances, exhaust gas and other pollutants, as well as ballast water discharged by vessels into the seas under the jurisdiction of the People's Republic of China shall meet the requirements of the laws, administrative regulations, the international treaties the People's Republic of China has entered into or acceded to and the relevant standards. Any carrier, cargo owner or agent of any vessel arriving or leaving a port which carries hazardous polluting cargos shall apply to the maritime administrative authority, and such vessel may not arrive or leave the port or stay in transit until approval has been obtained.

### **Laws and Regulations Relating to Intellectual Property**

#### ***Trademarks***

Pursuant to the Trademark Law of the People's Republic of China (《中華人民共和國商標法》) which was promulgated on August 23, 1982, last amended on April 23, 2019 and implemented on November 1, 2019 by the Standing Committee of the National People's Congress, and the Implementation Provisions of the Trademark Law of the People's Republic of China (《中華人民共和國商標法實施條例》) which was promulgated on August 3, 2003, last amended on April 29, 2014 and implemented on May 1, 2014 by the State Council, registered trademarks in the PRC include commodity trademarks, service trademarks, collective trademarks and certification trademarks. The Trademark Office of China National Intellectual Property Administration (國家知識產權局商標局) handles trademark registrations and grants a term of ten years to registered trademarks, renewable every 10 years where a registered trademark needs to be used after the expiration of its validity term.

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### *Patents*

Pursuant to the Patent Law of the People’s Republic of China (《中華人民共和國專利法》, the “**Patent Law**”) which was promulgated on March 12, 1984, last amended on October 17, 2020 and implemented on June 1, 2021 by the Standing Committee of the National People’s Congress, and the Implementation Rules of the Patent Law of the People’s Republic of China (《中華人民共和國專利法實施細則》) which was promulgated on December 21, 1992, last amended on January 9, 2010 and implemented on February 1, 2010 by the State Council, patents in the PRC are classified into three categories: invention patents, utility model patents and design patents. The terms of validity of invention patents, utility model patents and design patents shall be 20 years, 10 years and 15 years, respectively, in each case commencing from their application dates. Any individual or entity that utilizes a patent or conducts any other activity in infringement of a patent without authorization of the patentee shall compensate the patentee, and may be subject to penalty, confiscation of illegal income and fines imposed by the competent administrative authority. Where the case constitutes a criminal offense, such individual or entity shall be held criminally liable according to law. In addition, according to the Patent Law, where an entity or individual that applies for a patent in a foreign country for the invention or utility model accomplished in China, he/she/it shall report in advance to China National Intellectual Property Administration for confidentiality review.

### *Domain Names*

Pursuant to the Administrative Measures of Internet Domain Names (《互聯網域名管理辦法》) which was promulgated on August 24, 2017 and implemented on November 1, 2017 by the Ministry of Industry and Information Technology, the Ministry of Industry and Information Technology is the major regulatory body for national domain name services. Domain name registrations are handled through domain name registration service agencies established under the relevant regulations. The principle of “first apply, first register” is applied to domain name registration services. A domain name registration service agency that provides domain name registration services shall require the applicant to provide true, accurate and complete information about the domain name holder’s identity and other information for domain name registration. Upon completion of the domain name registration, the applicant shall become the holder of such registered domain names.

### *Software Copyright*

According to the Regulation on Computers Software Protection (《計算機軟件保護條例》) promulgated by the State Council on June 4, 1991, last amended on January 30, 2013 and implemented on March 1, 2013, computer software must be developed independently by the developer and fixed on tangible medium. Chinese citizens, legal entities or other organizations enjoy, in accordance with these Regulations, copyright in the software which they have developed, whether published or not. A software copyright owner may register with the software registration institution recognized by the copyright administration department of the State Council. A registration certificate issued by the software registration institution is a preliminary proof of the registered items.

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### Laws and Regulations Relating to Foreign Investment and Overseas Investment

#### *Foreign Investment Negative List*

The investment activities of foreign investors in the PRC are mainly regulated by the the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the “**Negative List**”) promulgated by the Ministry of Commerce of the People’s Republic of China (the “**MOFCOM**”) and the National Development and Reform Commission of the People’s Republic of China (the “**NDRC**”) on December 27, 2021, which came into effect on January 1, 2022, and the Catalog of Industries for Encouraging Foreign Investment (2022 Version) (《鼓勵外商投資產業目錄(2022年版)》) (the “**Encouraging Catalog**”) promulgated by the MOFCOM and the NDRC on October 26, 2022 and came into effect on January 1, 2023. Negative List uniformly set forth the ownership requirements, requirements for senior executives, and other special administrative measures for the access of foreign investment. Fields not on the Negative List shall be administered under the principle of equal treatment to both domestic and foreign investment. The Encouraging Catalog lists the industries that encourage foreign investment. According to the Negative List and the Encouraging Catalog, industries that are encouraged to foreign investment involve joint transportation of non-shipping operations, and the international freight forwarding business is not included in the Negative List and the Encouraging Catalog.

#### *Laws Relating To Foreign-Funded Enterprises*

According to the Company Law of the People’s Republic of China (《中華人民共和國公司法》) (the “**Company Law**”) promulgated by the SCNPC on December 29, 1993 and last amended and implemented on October 26, 2018, both a limited liability company and a joint stock limited company established within the PRC have legal person status. The liability of the shareholders of a limited liability company and a joint stock limited company is limited to the amount of capital contribution or shares subscribed for by the shareholders. The Company Law also applies to enterprises with foreign investment. If there are other provisions under foreign investment law, such provisions shall also apply.

Prior to January 1, 2020, the establishment procedures, verification and approval procedures, registered capital requirements, foreign exchange control, accounting practices, taxation, labor matters and all other relevant matters of a wholly foreign-owned enterprise shall be subject to the Law of the People’s Republic of China on Wholly Foreign-Owned Enterprises (《中華人民共和國外資企業法》) (the “**Foreign-owned Enterprise Law**”), which was promulgated by the SCNPC on April 12, 1986, last amended on September 3, 2016 and implemented on October 1, 2016, and the Detailed Rules for the Implementation of the Law of the People’s Republic of China on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法實施細則》), which was promulgated by the Ministry of Foreign Trade and Economic Cooperation of the PRC (currently known as the MOFCOM) on December 12, 1990, last amended on February 19, 2014, and implemented on March 1, 2014. Where the establishment of a foreign-funded enterprise is not subject to the special administrative



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measures prescribed by the State, the examination and approval matters stipulated in Articles 6, 10 and 20 of the Foreign-owned Enterprise Law shall comply with the provisions on the recordation. The special administrative measures prescribed by the State shall be promulgated by the State Council or upon the approval of the State Council.

The SCNPC and the State Council respectively promulgated the Foreign Investment Law of the People’s Republic of China (《中華人民共和國外商投資法》) (the “**Foreign Investment Law**”) on March 15, 2019 and the Regulation for Implementing the Foreign Investment Law on December 26, 2019, and came into effect on January 1, 2020. Upon the entry into force of the Foreign Investment Law and its implementing regulation, the Foreign-owned Enterprise Law, the Law of the People’s Republic of China on Chinese-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》) and the Law of the People’s Republic of China on Chinese-Foreign Contractual Joint Ventures (《中華人民共和國中外合作經營企業法》), and their corresponding implementing regulations, shall be repealed simultaneously. According to the Foreign Investment Law and its implementing regulation, a foreign-funded enterprise established under the above three laws before the effective date of the Foreign Investment Law may maintain its original organizational form for five years after the Foreign Investment Law becomes effective. The State Council shall formulate specific implementation measures.

According to the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》) promulgated by the MOFCOM and the State Administration for Market Regulation on December 30, 2019 and implemented on January 1, 2020, where foreign investors carry out investment activities directly or indirectly within China, foreign investors or foreign-funded enterprises shall report investment information to commerce departments. Foreign investors or foreign-funded enterprises shall report investment information in a timely manner under the principles of veracity, accuracy and integrity, and the reports submitted shall not contain false or misleading information or material omissions.

According to the Provisions on the Merger or Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), which was promulgated by the MOFCOM and other departments of the State Council on August 8, 2006, last amended and implemented by the MOFCOM on June 22, 2009, where a foreign investor purchases equity interest from shareholders of domestic enterprise with no foreign investment (hereinafter referred to as the “**Domestic Company**”) or subscribes to the increase in the capital of the Domestic Company with the result that such Domestic Company changes into a foreign investment enterprise, it shall be subject to the approval of the examination and approval authorities, and make registration of modification or establishment in the registration authority. The overseas listing and trading of an overseas company directly or indirectly controlled by a PRC domestic company or natural person for the purpose of realizing the overseas listing of its actual domestic company interest shall be subject to the approval of the securities regulatory authority under the State Council.

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According to the Ministry of Industry and Information Technology’s “Notice of the Ministry of Industry and Information Technology on Opening Online Data Processing and Transaction Processing Business (Business E-commerce) Foreign Equity Ratio Restriction” (Ministry of Industry and Information Technology [2015] No. 196) (《工業和資訊化部關於放開線上資料處理與交易處理業務(經營類電子商務)外資股比限制的通告》(工信部通[2015]196號)) issued and implemented by the Ministry of Industry and Information Technology on June 19, 2015, the restriction on the proportion of foreign shareholding in respect of online data processing and transaction processing business (operation of e-commerce business) is removed on a nationwide scale, and the proportion of foreign shareholding can be up to 100%.

### Laws And Regulations Relating To Overseas Investment

According to the Measures for the Administration of Overseas Investment of Enterprises (《企業境外投資管理辦法》) promulgated by the NDRC on December 26, 2017 and implemented on March 1, 2018, an investor shall, in overseas investment, undergo the formalities for the confirmation or recordation, among others, of an overseas investment project, report the relevant information, and cooperate in supervisory inspection. Projects involving sensitive countries and regions or overseas investment projects involving sensitive industries need to be approved by the NDRC. Where an investor conducts a large-sum non-sensitive project through an overseas enterprise controlled by it, the investor shall submit a large-sum non-sensitive project status report through the network system and inform the NDRC of the relevant information before the implementation of the project. For overseas investment projects which are solely carried out by the investor through an overseas enterprise controlled by it, which does not involve the investor directly contributing assets or rights and interests, providing financing or security, and the amount of Chinese investment is less than US\$300 million for non-sensitive projects, no recordation or notification is required. “Non-sensitive project” means a project neither involving any sensitive country or region nor involving any sensitive industry. Overseas investment projects (other than those mentioned above) are subject to recordation management. The List of Sensitive Sectors for Outbound Investment (2018 Version) (《境外投資敏感行業目錄(2018年版)》) promulgated by the NDRC, which has been implemented since March 1, 2018, lists the current sensitive industries in detail.

Pursuant to the Measures for the Administration of Overseas Investment (《境外投資管理辦法》) promulgated by the MOFCOM on September 6, 2014 and implemented on October 6, 2014, “overseas investment” means the acts of an enterprise legally formed in China to own a non-financial enterprise or obtain the ownership, control, or right of business management of or any other interest in an existing non-financial enterprise outside of China by formation, acquisition or merger, or other means. The MOFCOM and the provincial counterparts promulgate regulations providing that overseas investment of enterprises to be subject to recordation or confirmation management, depending on the actual circumstances of investment. Overseas investment involving any sensitive country or region or any sensitive industry shall be subject to confirmation management. Overseas investment under other circumstances shall be subject to recordation management. When an overseas enterprise invested by an enterprise conducts overseas reinvestment, the enterprise shall report to the commerce departments after completing the overseas legal procedures.

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Pursuant to the Provisions on the Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions (《境內機構境外直接投資外匯管理規定》) promulgated by the SAFE on July 13, 2009 and implemented on August 1, 2009 and the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) promulgated by the SAFE on February 13, 2015, implemented on June 1, 2015 and was partially repealed on December 30, 2019, stipulates that, upon obtaining the approval for overseas investment, the overseas direct investment of PRC enterprises shall apply for foreign exchange registration to the banks at their places of registration.

### **Laws and Regulations Relating to Customs**

According to the Customs Law of the People’s Republic of China (《中華人民共和國海關法》) promulgated by the SCNPC on January 22, 1987, last amended and implemented on April 29, 2021, unless otherwise provided for, all imported and exported goods must be declared and duties on them paid by their consignor or consignee or by agencies approved by the Customs for registration commissioned by the consignor or consignee. The consignee of imported goods and the consignor of exported goods shall make an accurate declaration and submit the import or export license and relevant papers to the Customs office for examination.

Pursuant to the Provisions on the Recordation of Customs Declaration Entities of the People’s Republic of China (《中華人民共和國海關報關單位備案管理規定》) promulgated on November 19, 2021 and effective on January 1, 2022, the consignees or consignors of imported or exported goods as well as the customs declaration enterprises engaged in customs declaration shall carry out the recordation procedures with the relevant customs administrative department in accordance with the law.

### **Laws and Regulations Relating to Overseas Securities Offering and Listing of Domestic Companies**

On February 17, 2023, the CSRC published the Administrative Trial Implementation Measures for Filing of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and the Notice on Administrative Filing Arrangement Concerning Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》) (collectively, the “Overseas Listing Trial Measures”), which require indirect overseas offering and listing by domestic companies in China to be subject to the CSRC’s filing requirement starting from March 31, 2023. The Overseas Listing Trial Measures will comprehensively improve and reform the existing regulatory regime for overseas offering and listing by PRC domestic companies and will regulate both direct and indirect overseas offering and listing by PRC domestic companies.

According to the Overseas Listing Trial Measures, indirect overseas offering and listing by domestic companies means overseas offering and listing based on shares, asset, receivables or other similar interest of PRC domestic companies. When determining whether there is an indirect overseas offering and listing by domestic companies, the principle of substance over



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formality should be adopted. An issuer that satisfies all of the following conditions should be deemed as a domestic company applying for indirect overseas offering and listing and be subject to the CSRC filing: (i) the revenue, total profit, total asset or net asset from PRC domestic companies constitutes more than 50% of the audited revenue, total profit, total asset or net asset of the of the issuer on the group level in the latest financial year; (ii) the key segment of business activities are conducted or the main place of business is in China, or the majority of senior management who are responsible for business operations are Chinese citizens or reside in China. Where an issuer submits an application for its initial public offering in an overseas market, the issuer must file with the CSRC within three business days after such application is submitted. Issuers that have already effectively submitted application for overseas offering before March 31, 2023, but have not been granted approval for offering and listing by overseas regulatory authority or stock exchange, submit and complete the CSRC filing as appropriate and in any event prior to their overseas offering and listing.

Our Company will hold a 98.9% equity interest in Shandong Lcang immediately after the completion of the Reorganization. Shandong Lcang, a company incorporated in the PRC, is the holding company of our principal operating subsidiaries. All of the Company’s senior management team are Chinese citizens. As such, as confirmed by our PRC Legal Advisors, we are subject to the CSRC filing as the [REDACTED] constitutes an indirect overseas [REDACTED] and [REDACTED] by domestic companies under the Overseas Listing Trial Measures. We have submitted a filing to the CSRC for application of [REDACTED] of the Shares on the Stock Exchange and the [REDACTED] on April 13, 2023. The application documents were accepted by the CSRC on April 24, 2023. No other approvals from the CSRC are required to be obtained for the [REDACTED] of the Shares on the Stock Exchange, according to our PRC Legal Advisors.

### **Laws and Regulations Relating to Employment and Social Security**

Pursuant to the Labor Law of the People’s Republic of China (《中華人民共和國勞動法》) which was promulgated by the Standing Committee of the NPC on July 5, 1994 and last amended and implemented on December 29, 2018, the Labor Contract Law of the People’s Republic of China (《中華人民共和國勞動合同法》) which was promulgated on June 29, 2007, last amended on December 28, 2012 and implemented on July 1, 2013 and the Implementation Regulations of the Labor Contract Law of the People’s Republic of China (《中華人民共和國勞動合同法實施條例》) which were promulgated and implemented by the State Council on September 18, 2008, a labor contract shall be concluded where a labor relationship is to be established between a labourer and an employing unit. Wages shall not be lower than the minimum wages standard of the place where the employing unit is located. The employing unit must establish and perfect the system for occupational safety and health, strictly implement the rules and standards of the State on occupational safety and health, and educate labourers on occupational safety and health. The employing unit must provide labourers with occupational safety and health conditions conforming to the provisions of the State and necessary articles of labor protection, and provide regular health examination for labourers engaged in work with occupational hazards.

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Pursuant to the Social Insurance Law of the People’s Republic of China (《中華人民共和國社會保險法》) which was promulgated by the Standing Committee of the NPC on October 28, 2010 and last amended and implemented on December 29, 2018, the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) which were promulgated by the State Council on January 22, 1999 and last amended and implemented on March 24, 2019, the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) which were promulgated by the State Council on April 3, 1994 and last amended and implemented on March 24, 2019 and other applicable PRC laws and regulations relating to social insurance, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance and maternity leave insurance, and to housing provident funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

### **Laws and Regulations Relating to Tax**

#### ***Enterprise Income Tax***

Pursuant to the Enterprise Income Tax Law of the People’s Republic of China (2018 amendment) (《中華人民共和國企業所得稅法(2018修正)》) (the “**EIT Law**”) which was promulgated by the Standing Committee of the NPC on March 16, 2007 and last amended and implemented on December 29, 2018, and the Regulations on the Implementation of the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法實施條例》) (the “**Regulations on the EIT Law**”) which were promulgated by the State Council on December 6, 2007 and last amended and implemented on April 23, 2019, a uniform income tax rate of 25% will be applied to domestic enterprises, foreign-invested enterprises and foreign enterprises that have established production and operation facilities in the PRC. Enterprises are classified as either resident enterprises or non-resident enterprises. Resident enterprises refer to enterprises that are established in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual control is administered from within the PRC. Non-resident enterprises refer to enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but who (whether or not through the establishment of institutions in the PRC) derive income from the PRC. Under the EIT Law and the Regulations on the EIT Law, a uniform enterprise income tax rate of 25% is applicable. However, if non-resident enterprises have not established institutions or offices in the PRC, or if they have established institutions or offices in the PRC but there is no actual relationship between the relevant income derived in the PRC and the institutions or offices set up by them, enterprise income tax is set at the rate of 10%.

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### *Value-Added Tax*

Pursuant to the Provisional Regulations of the People’s Republic of China on Value-Added Tax (《中華人民共和國增值稅暫行條例》) (Order No. 691 of the State Council of the People’s Republic of China) which were promulgated by the State Council on December 13, 1993 and last amended and implemented on November 19, 2017, and the Detailed Implementing Rules of the Provisional Regulations of the People’s Republic of China on Value-Added Tax (《中華人民共和國增值稅暫行條例實施細則》) (Order No. 65 of the Ministry of Finance of the People’s Republic of China) which were promulgated by the Ministry of Finance on December 15, 1993, last amended on October 28, 2011 and implemented on November 1, 2011 (together with the Provisional Regulations of the People’s Republic of China on Value-Added Tax, collectively referred to as the “VAT Law”), all taxpayers selling goods or providing processing, repairing or replacement services, sales of services, intangible assets and immovable assets and importing goods in China shall be subject to value-added tax and shall pay a value-added tax in accordance with the VAT Law. VAT taxpayers selling services or intangible assets shall be subject to a tax rate of 9% or 6%, unless otherwise stipulated in the VAT Law.

Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Comprehensive Implementation of the Pilot Reform of Replacing Business Tax with Value-added Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) which was issued by the Ministry of Finance and the STA on March 23, 2016 and implemented on May 1, 2016, amended on July 1, 2017, December 25, 2017 and March 20, 2019, all business tax payers in the consumer service industry shall pay value-added tax instead of business tax from May 1, 2016. If the pilot taxpayer has enjoyed tax incentives of business tax according to relevant policies before the date of being included in the pilot reform of replacing business tax with value-added tax, he/she may, in the remaining period of tax incentives, enjoy tax incentives of value-added tax in accordance with the relevant provisions.

See Accountants’ Report in Appendix I to this document for other taxation requirements and policies.

### **Laws and Regulations Relating to Transfer Pricing**

According to the Announcement of the State Taxation Administration on Matters Relating to the Improvement of Related Declaration and Management of Contemporaneous Information (《國家稅務總局關於完善關聯申報和同期資料管理有關事項的公告》), which came into effect on June 29, 2016, when filing the annual enterprise income tax returns with the tax authorities, resident enterprises that implement audit collection and non-resident enterprises that have set up institutions or premises in China and duly declare their enterprise income tax shall file a related declaration on their business transactions with related parties, accompanied by an annual report on related business transactions.

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According to the Announcement of the Administration of Special Tax Investigation Adjustment and Mutual Consultation Procedures (《特別納稅調查調整及相互協商程序管理辦法》) issued by the STA on March 17, 2017 and implemented on May 1, 2017, the taxation authorities implement measures for monitoring and managing special tax adjustment for enterprises by reviewing related declarations, managing contemporaneous information and monitoring profit level. If an enterprise receives the risk reminder from relevant authorities of special tax adjustment or identifies risks from special tax adjustment, it can adjust and make up the tax by itself. If the enterprise adjusts the tax by itself, the taxation authority can still conduct special tax investigation and adjustment in accordance with the relevant regulations. According to the relevant provisions of the tax treaties signed by the PRC, the STA can start the mutual consultation procedure based on the application of enterprises or the request of the tax authorities of the counterparties to the tax treaties, and negotiate with the tax authorities of the counterparties to the tax treaties to avoid or eliminate the international double taxation caused by the special tax adjustment matters.

### **Laws and Regulations Relating to Data Security**

Pursuant to the Cyber Security Law of the People's Republic of China (《中華人民共和國網絡安全法》) which was promulgated by the Standing Committee of the NPC on November 7, 2016 and implemented on June 1, 2017, and the Regulations on the Security Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) which were promulgated by the State Council on July 30, 2021 and implemented on September 1, 2021, critical information infrastructure operators that collect or produce personal information or important data during their operation within the territory of the People's Republic of China, shall store such information or data within China. Where due to business requirements it is truly necessary to provide such information or data to entities outside China, a security assessment shall be conducted in accordance with the measures formulated by the national cyberspace authority in conjunction with the relevant departments under the State Council. Critical information infrastructure refers to important network facilities and information systems in important sectors and fields such as public communications and information services, energy, transportation, water conservancy, finance, public services, e-government, and national defense science and technology, as well as the other important network facilities and information systems to the extent that any damages, malfunctions or data leakage of or from such facilities or systems may seriously endanger national security, people's livelihood and public interests.

Pursuant to the Data Security Law of the People's Republic of China (《中華人民共和國數據安全法》) which was promulgated by the Standing Committee of the NPC on June 10, 2021 and implemented on September 1, 2021, the state shall apply export control in accordance with the law on data that are controlled items and concern national security and interests and the performance of international obligations. The provisions of the Cyber Security Law of the People's Republic of China shall apply to the outbound security management of the important data collected or produced by critical information infrastructure operators during their operation within the territory of the PRC, and the measures for the outbound security

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management of the important data collected or produced by others data processors during their operation within the territory of the PRC shall be formulated by the national cyberspace authority in conjunction with the relevant departments under the State Council.

Pursuant to the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the “**Cybersecurity Review Measures**”) promulgated by the CAC and other departments of the State Council on April 13, 2020, last amended on December 28, 2021 and implemented on February 15, 2022, critical information infrastructure operators (“**CIIO**”) shall apply for cybersecurity review if they procure internet products and services that affect or may affect national security. Pursuant to the Article 10 of the Cybersecurity Review Measures, the following risk factors, among others, will be focused on: (i) the risk of illegal control, interference or destruction of critical information infrastructures brought about by the use of products and services; (ii) the harm of product and service supply interruption to the business continuity of critical information infrastructures; (iii) the security, openness, transparency, diversity of sources of products and services, the reliability of supply channels, and the risk of supply interruption due to political, diplomatic, trade and other factors; (iv) the compliance of product and service providers with the PRC laws, administrative regulations and departmental rules; (v) the risk of core data, important data or a large amount of personal information being stolen, disclosed, damaged, illegally used or illegally left the country; and (vi) the risks of critical information infrastructures, core data, important data or a large amount of personal information being affected, controlled or maliciously used by foreign governments, as well as cybersecurity risks.

As of the Latest Practicable Date, our Company had not been classified as a CIIO by any PRC government authority and therefore is not required to apply for a cybersecurity review. As of the same date, our Company had neither received any inquiry, notice or warning from any PRC government authorities, nor been subject to any investigation, sanctions or penalties made by the CAC or any other PRC government authorities regarding national security risks caused by our Company’s business operations or the [REDACTED]. Furthermore, as to the factors set out in Article 10 of the Cybersecurity Review Measures, (i) our Company has not been identified as a CIIO by any relevant authority, and therefore, as advised by our PRC Legal Advisors, sub-clauses (i) to (iv) of Article 10 of the Cybersecurity Review Measures are not applicable to our Company; (ii) as of the Latest Practicable Date, based on searches on public domain and to the best knowledge of our Directors, no data processed by our Company had been included into the effective catalog of important data or core data published by the relevant authority. In addition, our Company has formulated a management system of data protection and dedicated significant resources to ensure data security. During the Track Record Period, no data leakage from our Company had occurred. Therefore, our PRC Legal Advisors are of the view that, as of the Latest Practicable Date, the risk of theft, leakage or damage of core data, important data or a large amount of personal information, or illegal use of such information or illegal exit of such information as described under sub-clause (v) of Article 10 of the Cybersecurity Review Measures was remote for us; and (iii) based on the consultation conducted by our PRC Legal Advisors with China Cybersecurity Review Technology and Certification Center (中國網路安全審查技術與認證中心) on November 24, 2022, Hong Kong is a part of the PRC and listing in Hong Kong should not be deemed as listing on a foreign



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stock exchange, so sub-clause (vi) of Article 10 is not applicable to our Company. Based on the foregoing, our PRC Legal Advisors are of the view that the likelihood of our business operations or the [REDACTED] being deemed as affecting national security based on the factors set out in Article 10 of the Cybersecurity Review Measures is remote.

The Cybersecurity Review Measures also stipulate that operators of network facilities and information system that hold over one million users’ personal information shall apply with the Cybersecurity Review Office for a cybersecurity review before listing on a foreign stock exchange. As our Company only holds approximately ten thousand users’ personal information as of the Latest Practicable Date, it is not subject to cybersecurity review prior to listing on a foreign stock exchange.

Pursuant to the Regulations on the Administration of Cyber Data Security (Draft for Comments) (網絡數據安全管理條例(徵求意見稿)) (the “**Draft Cyber Data Security Regulations**”) published by the CAC on November 14, 2021, data processing activities carried out through network facilities as well as the supervision and regulation of network data security within the territory of the PRC should be subject to the Draft Cyber Data Security Regulations. In addition, if a data processor listed in Hong Kong affect or may affect national security, it shall apply for a cybersecurity review. As of the Latest Practicable Date, our Company had neither been and involved in any investigations on cybersecurity review conducted by the CAC, nor received any warning or sanctions in this regard. In addition, our Company has adopted internal measures regarding data security and personal information protection to ensure compliance with relevant laws and regulations. In addition, the Draft Cyber Data Security Regulations has not provided the specific data-processing activities which would affect national security, and as of the Latest Practicable Date, our Company had not been notified by any PRC government authorities of being classified as a CIIO. Our Company therefore is not required to apply for a cybersecurity review now. As our business continues to grow, we will closely monitor the new regulatory regulations relating to cybersecurity, data privacy and personal information protection to ensure that our business is accordance with the latest regulatory policies, and our security review procedures are performed in accordance with applicable laws and regulations. We will maintain ongoing communications with the relevant PRC government authorities regarding any development and requirement of new regulations with respect to data security, and timely implement necessary measures to ensure compliance.

Based on the foregoing, our PRC Legal Advisors are of the view that our Company will be able to comply with the Cybersecurity Review Measures and the Draft Cyber Data Security Regulations in all material aspects, and the Draft Cyber Data Security Regulations will not have any material adverse effect on our business operations or the [REDACTED], assuming the Draft Cyber Data Security Regulations are fully adopted and implemented in the current form.

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### Laws and Regulations Relating to Foreign Exchange Control

According to the Regulations on Foreign Exchange Administration of the People’s Republic of China (《中華人民共和國外匯管理條例》) which was promulgated by the State Council on 29 January 1996, last amended and implemented on August 5, 2008, foreign exchange income of domestic institutions or individuals may be transferred back to the PRC or deposited abroad, and the SAFE shall stipulate the conditions for transfer to the PRC or depositing overseas and other requirements depending on the cash flow balance of foreign exchange and requirements for implementation of foreign exchange control. Foreign exchange income for current account transactions may be retained or sold to financial institutions engaged in the settlement or sale of foreign exchange. Domestic institutions or individuals that make direct investments abroad, are engaged in the issuance and trading of valuable securities or derivative products overseas should register according to SAFE regulations. Such institutions or individuals subject to prior approval or record-filing with relevant authorities shall complete the required approval or record-filing prior to foreign exchange registration. The exchange rate for RMB follows a managed floating exchange rate system based on market demand and supply.

According to the Notice of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》), which was issued by the SAFE on February 13, 2015, implemented on June 1, 2015 and partially repealed on December 30, 2019, the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment shall be directly examined and handled by banks. SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

The Circular of the State Administration of Foreign Exchange on Reforming the Management Approach Regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the “**Circular 19**”), issued by the SAFE on March 30, 2015 and became effective on June 1, 2015, allows foreign-invested enterprises to make equity investments by using RMB fund converted from foreign exchange capital. Under the Circular 19, the foreign exchange capital in the capital account of foreign-invested enterprises upon the confirmation of rights and interests of monetary contribution by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operation needs of the enterprises. The proportion of discretionary settlement of foreign exchange capital of foreign-invested enterprises is currently 100%. SAFE can adjust such proportion in due time based on the circumstances of the international balance of payments. However, the Circular 19 and the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Management of the Settlement of Foreign Exchange of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) which was issued and implemented by the SAFE on June 9, 2016 stipulate that foreign-invested enterprises shall not use the RMB funds obtained from foreign exchange capital for payment outside of the business scope of the enterprises, investment in securities or financial schemes other than bank-guaranteed products, granting loans to non-connected enterprises or constructing or purchasing real estate that is not for self-use.

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The Circular of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) which was issued and implemented by the SAFE on October 23, 2019, on the basis of allowing investment-oriented foreign-invested enterprise to use capital funds for domestic equity investment in accordance with laws and regulations, non-investment foreign-invested enterprises shall be allowed to use capital funds for domestic equity investment in accordance with the laws under the premise of not violating the current Special Administrative Measures for Access of Foreign Investment (Negative List) and the authenticity and compliance of their domestic invested projects.

According to the Circular of the State Administration of Foreign Exchange on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) issued by the SAFE on April 10, 2020 and implemented on June 1, 2020, eligible enterprises are allowed to make domestic payments by using their income under capital accounts, such as capital funds, foreign debts and the proceeds from overseas listing, without submitting the evidentiary materials concerning authenticity of such capital for banks in advance; provided that their capital use is authentic and in line with provisions, and in compliance with the prevailing administrative regulations on the use of income under capital accounts. The bank in charge shall conduct spot checks in accordance with the relevant requirements.

Pursuant to the Notice of the State Administration of Foreign Exchange on Issues concerning Foreign Exchange Administration of the Overseas Investment and Financing and the Round-tripping Investment Made by Domestic Residents through Special-Purpose Companies (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) promulgated and implemented by SAFE on July 4, 2014, a “special purpose vehicle” means an overseas enterprise directly established or indirectly controlled by a domestic resident (including domestic institution and domestic individual residents) for the purpose of engaging in investment and financing with the domestic enterprise assets or interests he legally holds, or with the overseas assets or interests he legally holds. A domestic resident shall complete the overseas investment foreign exchange registration procedures with the SAFE prior to making capital contribution to a special purpose vehicle with onshore or offshore assets or interests he legally holds. A domestic resident making capital contribution with domestic assets or interests he legally owns shall register at their local branch of the SAFE of its place of registration or at the branch of the SAFE of the area in which they hold their domestic enterprise assets or interests; a domestic resident making capital contribution overseas assets or interests he legally owns shall register at their local branch of the SAFE of its place of registration or at the branch of the SAFE of the area in which they are registered.

See Accountants’ Report in Appendix I to this document for other taxation requirements and policies.



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### Laws and Regulations Relating to Property Leasing

Pursuant to relevant provisions of the Administrative Measures for Commodity House Leasing (Order No.6 of the Ministry of Housing and Urban-Rural Development) (《商品房屋租賃管理辦法》(住房和城鄉建設部令第6號)) promulgated by the Ministry of Housing and Urban-Rural Development on December 1, 2010 and implemented on February 1, 2011, parties to house leasing shall register with the property administrative department at which the property is situated within 30 days after entering into the property leasing contract. In case of violation of the foregoing provision, the property administrative department shall order to make rectification within a time limit and enterprise may be imposed a fine of RMB1,000 to RMB10,000 if it does not make such rectification within the limited time.

### INTERNATIONAL LAWS AND REGULATIONS RELATING TO OUR BUSINESS

Vessels used by our Group are subject to various international laws, regulations and rules which can be typically classified into: (i) international conventions and codes; (ii) flag state regulations; (iii) port state regulations; (iv) classification society rules; and (v) convention on the carriage of goods by sea.

#### International Conventions and Codes

##### *Conventions*

Vessels used by our Group shall be in compliance with various conventions, including those set out below: (i) International Convention for the Safety of Life at Sea (the “**SOLAS Convention**”); (ii) International Convention for the Prevention of Pollution from Ships (the “**MARPOL Convention**”); (iii) International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (“**STCW Convention**”); (iv) Maritime Labor Convention (the “**MLC Convention**”); (v) Convention on the International Regulations for Preventing Collisions at Sea (“**COLREGS**”); and (vi) International Convention on Load Lines (the “**ILLC**”).

The conventions set out above have been incorporated or enacted in the domestic or local laws of a majority of states. All vessels registered in the member states or cruising in the territorial waters of the member states are subject to these conventions depending on the extent of incorporation into their respective domestic or local laws.

Some of the salient features of certain conventions are set out as follows:

The SOLAS Convention concerns merchant vessels’ safety. The convention prescribes minimum standards for the construction, equipment and operation of vessels. Various prescribed certificates for the vessels can be obtained to prove such standards are met.

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## REGULATORY OVERVIEW

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The MARPOL Convention is about the prevention and minimization of marine environment pollution by vessels from their routine operations or accidents. The convention controls emission of various kinds of pollutants by the vessels including oil, sewage, garbage, noxious liquid substances, harmful substances and gas.

The STCW Convention prescribes minimum standards for the training, certification and watchkeeping for seafarers working on board of the vessels which operate on international voyages. Vessels are required to be operated and controlled by sufficient officers, and crew having specified amounts of sea time and each of them must have the trainings and the certificate for performance of their respective duties on board the vessels.

The MLC Convention establishes and provides for seafarer’s fundamental rights regardless of the extent of development of the individual member state.

The COLREGS prescribes the rules of road for vessels on the high seas. There are rules therein for steering and sailing, the conduct of vessels in restricted visibility, among others.

The ILLC provides for limitations on the freeboards of load lines and determines the freeboard to ensure safe navigation for the vessels.

### *Codes*

There should be compliance with the rules and regulations adopted by various regulatory bodies such as IMO from time to time, for example: (i) the International Safety Management Code (the “**ISM Code**”); (ii) the International Ship and Port Facility Security Code (the “**ISPS Code**”).

The ISM Code imposes greater responsibility to onshore management in respect of safe operation of vessels as well as the prevention of pollution. All vessels owned by our Group have to comply with the ISM Code.

The ISPS Code is for the reduction of the vulnerability of a ship to be used in terroristic acts.

The vessels of our Group need to visit different states during international voyages so they are subjected to the laws, regulations and rules of the relevant states while in the respective territorial waters of those states.

### **Flag State Regulations**

A vessel must be registered in a country and sailed under the flag of the country which that vessel is registered (the “**Flag State**”). The effect is that the vessel will have a nationality. Even in another state’s territorial waters, those on board of the vessel are also subject to the law of the Flag State.

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## REGULATORY OVERVIEW

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The vessel is subject to the jurisdiction of the Flag State and the Flag State can exercise regulatory control over the vessel that sails under its flag. The jurisdiction and regulatory controls involve inspection, certification and the issue of papers in relation to safety and pollution prevention pursuant to the applicable international conventions and national laws.

The vessels owned by us are registered in Panama. In addition to the international convention, the vessels owned by our Group are also subject to the applicable laws, regulations and requirements of the PRC.

### **Port State Regulation**

As mentioned above a vessel is required to comply with the laws of the state or jurisdiction which has sovereign rights in the waters where the vessel sails. When the vessel sails to and from a port, it is subject to the relevant local regulations that are applicable to the waters in which it is operating, which includes pollution, navigation, ballast and berthing/anchoring requirements.

### **Classification Society Rules and Regulations**

A classification society is a non-governmental body that establish and apply technical standards in relation to the design, construction and survey of marine related facilities including ships and offshore structures. It also supervises and surveys ships and structures to ensure that they comply with these standards.

There are a number of classification societies in the world. Some of them are members of the International Association of Classification Societies (“IACS”).

Currently, compliance with the rules and regulations of a recognized classification society for every seagoing merchant ship is strictly required. Every new ship will be given a class designation by the classification society based on the way it is designed, constructed, tested and operated in accordance with the rule of the classification society. After the relevant surveys, a certificate of class will be issued if it is completed with satisfactory results. Relevant surveys will also be conducted for ships in service to ensure that the ship remains in compliance with those rules.

Structural integrity and design in light of the purpose of the vessel are used as reference for the classification of vessels. The primary concerns of the rules of classification concern are generally the integrity and strength of the hull, machinery, equipment and appliances.

A vessel being certified to have maintained her classification status by a recognized classification society is commonly a condition precedent for insurance.

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## REGULATORY OVERVIEW

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### Convention on the Carriage of Goods by Sea

The (i) Hague Rules (“**Hague Rules**”); (ii) Hague-Visby Rules (“**Hague-Visby Rules**”) and (iii) Hamburg Rules (“**Hamburg Rules**”).

The full title of the Hague Rules is the International Convention for the Unification of Certain Rules of Law Relating to Bills of Lading, which is the first set of international convention about rules of laws relating to bills of lading entered into in Brussels, the capital of Belgium, on August 25, 1924 and became effective from June 2, 1931. It made provision for matters such as the obligations, liability period, limitation for damages and general defences of carriers.

The full title of the Hague-Visby Rules is the Protocol to Amend the International Convention for the Unification of Certain Rules of Law Relating to Bills of Lading, which was passed in February, 1968 and became effective in June, 1977. The Protocol made amendments to the Hague Rules such as expanding its scope of application, increasing the compensation limit and providing for container shipments so as to meet the demand of international trade and economic development.

The full title of the Hamburg Rules is the United Nations Convention on the Carriage of Goods by Sea, which was passed in a conference on the carriage of goods by sea attended by 78 countries by representative and was held by the United Nations in Hamburg, Germany running from March 6, 1978 to March 31, 1978. With an aim to strike a balance between the conflicted interests of shipowners and cargo owners, the protocol became effective on November 1, 1992, which further improved the convention on the carriage of goods by sea.

In the manners of becoming a party to the convention on carriage of goods by sea, enacting domestic laws with reference to the convention or adopting applicable convention in relation to paramount clauses of the bill of lading, mainstream shipping states in the world fosters the wide application of the convention in the field of international carriage of goods by sea.

### SANCTIONS LAWS AND REGULATIONS

Hogan Lovells, our International Sanctions Legal Advisors, have provided the following summary of the sanctions regimes imposed by their respective jurisdictions. This summary does not intend to set out the laws and regulations relating to the U.S., the European Union, the United Nations and Australian sanctions in their entirety.

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## REGULATORY OVERVIEW

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### U.S.

#### *Treasury regulations*

OFAC is the primary agency responsible for administering U.S. sanctions programmes against targeted countries, entities, and individuals. “Primary” U.S. sanctions apply to “U.S. persons” or activities involving a U.S. nexus (e.g., funds transfers in U.S. currency even if performed by non-U.S. persons), and “secondary” U.S. sanctions apply extraterritorially to the activities of non-U.S. persons even when the transaction has no U.S. nexus. Generally, U.S. persons are defined as entities organized under U.S. law (such as companies and their U.S. subsidiaries); any U.S. entity’s domestic and foreign branches (sanctions against Iran and Cuba also apply to U.S. companies’ foreign subsidiaries or other non-U.S. entities owned or controlled by U.S. persons); U.S. citizens or permanent resident aliens (“green card” holders), regardless of their location in the world; individuals physically present in the United States; and U.S. branches or U.S. subsidiaries of non-U.S. companies.

Depending on the sanctions program and/or parties involved, U.S. law also may require a U.S. company or a U.S. person to “block” (freeze) any assets/property interests owned, controlled or held for the benefit of a sanctioned country, entity, or individual when such assets/property interests are in the United States or within the possession or control of a U.S. person. Upon such blocking, no transaction may be undertaken or effected with respect to the asset/property interest—no payments, benefits, provision of services or other dealings or other type of performance (in case of contracts/agreements)—except pursuant to an authorization or license from OFAC.

OFAC’s comprehensive sanctions programmes currently apply to Cuba, Iran, North Korea, Syria, the Crimea region of Russia/Ukraine, and and the self-proclaimed Luhansk People’s Republic (LPR) and Donetsk People’s Republic (DPR) regions (the comprehensive OFAC sanctions programme against Sudan was terminated on October 12, 2017). OFAC also prohibits virtually all business dealings with persons and entities identified in the SDN List. Entities that a party on the SDN List owns (defined as a direct or indirect ownership interest of 50% or more, individually or in the aggregate) are also blocked, regardless of whether that entity is expressly named on the SDN List. Additionally, U.S. persons, wherever located, are prohibited from approving, financing, facilitating, or guaranteeing any transaction by a non-U.S. person where the transaction by that non-U.S. person would be prohibited if performed by a U.S. person or within the United States.

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## REGULATORY OVERVIEW

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### United Nations

The United Nations Security Council (the “UNSC”) can take action to maintain or restore international peace and security under Chapter VII of the United Nations Charter. Sanctions measures encompass a broad range of enforcement options that do not involve the use of armed force. Since 1966, the UNSC has established 30 sanctions regimes.

The UNSC sanctions have taken a number of different forms, in pursuit of a variety of goals. The measures have ranged from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions. The UNSC has applied sanctions to support peaceful transitions, deter non-constitutional changes, constrain terrorism, protect human rights and promote non-proliferation.

There are 14 ongoing sanctions regimes which focus on supporting political settlement of conflicts, nuclear non-proliferation, and counter-terrorism. Each regime is administered by a sanctions committee chaired by a non-permanent member of the UNSC. There are ten monitoring groups, teams and panels that support the work of the sanctions committees.

United Nations sanctions are imposed by the UNSC, usually acting under Chapter VII of the United Nations Charter. Decisions of the UNSC bind members of the United Nations and override other obligations of United Nations member states.

### European Union

Under European Union sanction measures, there is no “blanket” ban on doing business in or with a jurisdiction targeted by sanctions measures. It is not generally prohibited or otherwise restricted for a person or entity to do business (involving non-controlled or unrestricted items) with a counterparty in a country subject to European Union sanctions where that counterparty is not a Sanctioned Person and not engaged in prohibited activities, such as exporting, selling, transferring or making certain controlled or restricted products available (either directly or indirectly) to, or for use in a jurisdiction subject to sanctions measures, provided that no funds and economic resources are made available to the Sanctioned Persons.

### United Kingdom and United Kingdom overseas territories

As of January 1, 2021, the United Kingdom is no longer an EU member state. EU law including EU sanctions measures continued to apply to and in the United Kingdom until December 31, 2020. EU sanctions measures had also been extended by the United Kingdom on a regime by regime basis to apply in the United Kingdom overseas territories, including the Cayman Islands. Starting from January 1, 2021, the United Kingdom applies its own sanctions programs and has extended its autonomous sanctions regimes to apply to and in the United Kingdom overseas territories.

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## REGULATORY OVERVIEW

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### Australia

The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to any person in Australia, any Australian anywhere in the world, companies incorporated overseas that are owned or controlled by Australians or persons in Australia, and/or any person using an Australian flag vessel or aircraft to transport goods or transact services subject to United Nations sanctions.

## LAWS AND REGULATIONS RELATING TO OUR BUSINESS IN HONG KONG

### Common law

#### (a) *Liabilities under contract*

While we are engaging in the provision of cross-border logistics services, our rights and obligations towards our customers are generally governed by the terms of the contracts we formed with them. These contracts are subject to the Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong), pursuant to which any exemption clauses restricting liabilities for loss or damage to property due to parties’ negligence are valid only if such clauses satisfy the reasonableness test.

When we act as a shipping carrier for our customers, the carriage contract is usually formed on our standard terms as contained in our bills of lading. One of our standard terms provides that our liability as carrier shall be governed by the Hague-Visby Rules. The Hague-Visby Rules are a set of international rules which regulate the rights and liabilities in relation to the loading, handling, stowage, carriage, custody, care and discharge of goods for contracts of carriage by sea. The carrier is required to properly and carefully load, handle, stow, carry, keep, care for, and discharge the goods carried, and to exercise due diligence to make the ship seaworthy, to properly man, equip, and supply the ship, and to make the holds, refrigerating and cool chambers (if any), and all other parts of the ship in which goods are carried, fit and safe for their reception, carriage and preservation. At the same time it sets out limitations on the liabilities of the carrier provided that the carrier is able to demonstrate that it has exercised a reasonable standard of professionalism and care as well as imposes the limitation period on legal proceedings brought against the carrier.

When we act as freight forwarding agent for our customers, we may form contracts with different carriers on our customers’ behalf. As a general principle of agency law, when an agent forms a contract for his principal, the principal alone can sue or be sued upon the contract and the agent would not be personally liable. This principle is subject to a number of conditions, including that the agent is adhering to the instructions of the principal and acting within the principal’s authority.



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## REGULATORY OVERVIEW

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**(b) *Liabilities in tort***

When we provide cross-border logistics services in the capacity of a carrier, we owe a duty of care to the owners of the goods and to persons entitled to possession of the goods. If the goods are lost or damaged because of our omission, we may be liable to them in tort for negligence. If we wrongly deliver the goods to a party not entitled to its possession of the goods, we may be liable in tort for conversion. When we act as an agent in delivering the goods, as a general doctrine of agency law, if any loss or injury is caused to a third party by our wrongful act or omission, we would be personally liable.

**(c) *Liabilities as a bailee***

Whether our Group acts as a carrier or as an agent, when we take possession of a customer’s goods, a bailment relationship arises whereby we become a bailee for reward of the goods. Our rights and obligations as bailee is governed by the terms of the contract formed with the customer. If we take possession from someone who is also acting as a bailee for another party, we become a sub-bailee in a sub-bailment relationship. In such case we owe duties of care to both the sub-bailor and the bailor to take reasonable care of the goods.

Apart from the common law obligations, our Group’s business in Hong Kong is also regulated by a number of legislations. The following sets forth a summary of the major laws and regulations which are relevant to our business in Hong Kong:

### **Merchant Shipping (Safety) (Dangerous Goods and Marine Pollutants) Regulation**

The requirements under the Merchant Shipping Dangerous Goods Regulation (Chapter 413H of the Laws of Hong Kong) (“**Merchant Shipping Regulation**”) apply to vessels that ship and transship dangerous goods when they are in the waters of Hong Kong. The Merchant Shipping Regulation implemented the International Maritime Dangerous Goods Code (“**IMDG Code**”) in Hong Kong, which standardises and regulates the terminology, packaging, labeling, placarding, marking, stowage, segregation, handling and emergency response so as to ensure safety of transportation and shipment of dangerous goods.

Section 8(1)(a) of the Merchant Shipping Regulation provides that no packaged goods shall be offered for carriage or taken on board any ship unless a dangerous goods declaration has been furnished to the shipowner or master, which shall indicate the correct technical name, the UN number and the classes of the dangerous goods. The dangerous goods declaration shall also include the number and type of packages, the total quantity of packaged goods and other information required by the IMDG Code.

Under sections 8(7) and 8(8) of the Merchant Shipping Regulation, a forwarder who fails to furnish a dangerous goods declaration or furnishes a false declaration, or a shipowner or master who accepts for carriage, takes or receives on board, any packaged dangerous goods without a dangerous goods certificate commits an offense.



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## REGULATORY OVERVIEW

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Sections 11 to 13 of the Merchant Shipping Regulation provide that dangerous goods shall be packed, marked, labeled, stowed, segregated and secured in accordance with the IMDG Code. Under section 9 of the Merchant Shipping Dangerous Goods Regulation, a signed packing certificate shall be furnished to a shipowner or his agent or the master. The shipowner commits an offense if he takes on board any ship for carriage in that ship if the dangerous goods are not packed, marked, labeled, stowed, segregated or secured in accordance with the IMDG Code or he knows or ought to know that the goods are not packaged in such a manner as to withstand the ordinary risk of carriage by sea.

Under section 16(1A) of the Merchant Shipping Regulation, a document of compliance is required for a ship to take on board packaged dangerous goods issued by the Director of Marine certifying that the spaces on the ship in or on which the goods are to be carried comply with the provisions of Regulation 19 of Chapter II-2 of the Annex to the SOLAS Convention that are applicable to the classification of those goods.

### **Merchant Shipping Ordinance**

The Merchant Shipping Ordinance (Chapter 281 of the Laws of Hong Kong) (the “**MSO**”) and its sub-legislations require every ship used for any commercial purpose in the waters of Hong Kong to comply with the requirements in respect of registration and licensing. The MSO also deals with the forfeiture of ships and detention of ships.

According to section 3 of the MSO, every ship trading outwards from Hong Kong or being used for any commercial purposes in the waters of Hong Kong must be provided with a certificate of registry or a certificate of ownership or other documents granted in a place outside Hong Kong and similar or equivalent in effect to a certificate of registry or a certificate of provisional registry. Under sections 108 and 109 of the MSO, the Director of Marine may under certain conditions detain a ship pending satisfaction of legal provisions. If the ship proceeds or attempts to proceed to sea before having been released by the competent authority, the master of the ship, the owner or agent, any person who sends the ship to sea, and any agent or person who is a party or privy to the offense, shall be guilty of an offense and shall be liable on conviction to a fine of HK\$50,000 and to imprisonment for 2 years.

### **Merchant Shipping (Registration) Ordinance**

Section 11 of the Merchant Shipping (Registration) Ordinance (Chapter 415 of the Laws of Hong Kong) (the “**MS(R)O**”) provides that a ship is registrable if a representative person is appointed in relation to that ship and either a majority interest in the ship is owned by one or more qualified persons or the ship is operated under a demise charter by a body corporate being a qualified person. As qualified persons include body corporates in Hong Kong and registered non-Hong Kong companies, the MS(R)O applies to the Group. Section 24 of the MS(R)O provides that upon the registration of a ship, the Registrar of Ships shall grant a certificate of registry, in the specified form, containing the particulars relating to the ship entered in the register.

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## REGULATORY OVERVIEW

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The Registrar of Ships is responsible for keeping a register for ships registered or provisionally registered under the MS(R)O. The register shall contain particulars in respect of ships, owners and their respective interests in ships, demise charterers, mortgagees and representative persons as are prescribed.

### **Merchant Shipping (Safety) Ordinance**

The Merchant Shipping (Safety) Ordinance (Chapter 369 of the Laws of Hong Kong) (the “**MS(S)O**”) provides for regulation and control of the safe operations and equipment of vessels in the waters of Hong Kong. Amongst other things, the MS(S)O provides that:

1. every ship carrying more than 12 passengers shall be surveyed at not more than 12 months in the manner set out by the MS(S)O;
2. every ship carrying more than 12 passengers shall have the ship’s compasses properly adjusted from time to time and shall provide shelter for the protection of deck passengers;
3. a ship within the waters of Hong Kong shall not carry any passengers on more than one deck below the water line and should not carry any passengers in excess of the number allowed by the passenger certificate;
4. no ship registered in Hong Kong shall have on board an anchor or cable unless the anchor or cable has been marked and a certificate in respect of it has been issued; and
5. no ship registered in Hong Kong shall proceed or attempt to proceed to sea unless it has been surveyed in accordance to load line regulations.

### **Merchant Shipping (Collision Damage Liability and Salvage) Ordinance**

The Merchant Shipping (Collision Damage Liability and Salvage) Ordinance (Chapter 508 of the Laws of Hong Kong) (“**MS(CDLS)O**”) governs the laws relating to collision damage and salvage operations. It aligns Hong Kong and international laws by incorporating the International Convention on Salvage 1989 into Hong Kong regulations.

Section 3 of the MS(CDLS)O provides that where by the fault of two or more vessels, damage or loss is caused to one of those vessels, to their cargoes or freight or any property on board, the liability to make good the damage or loss shall be in proportion to the degree in which each vessel was in fault. Section 4 of the MS(CDLS)O provides that where a person on board a vessel suffers a loss of life or personal injuries owing to the fault of that vessel and of any other vessels, the liability of the owners of the vessels shall be joint and several.

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## REGULATORY OVERVIEW

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### Marine Insurance Ordinance

The Marine Insurance Ordinance (Chapter 329 of the Laws of Hong Kong) (the “**MIO**”) is in place to ensure that where a ship is in course of building, or the launch of a ship, or any adventure analogous to a marine adventure, is covered by a marine insurance policy. Under section 3 of the MIO, every lawful marine adventure may be the subject of a contract of marine insurance. In particular there is a marine adventure where among others, any ship goods or other movables are exposed to maritime peril (the “**Insurable Property**”), or any liability to a third party may be incurred by the owner of, or other person interested in or responsible for the Insurable Property, by reason of maritime perils, meaning the perils consequent on, or incidental to, the navigation of the sea, that is to say, perils of the seas, fire, war perils, pirates, rovers, thieves, captures, seizures, restraints, and detainments of princes and peoples, jettisons, barratry, and any other perils, either of the like kind or which may be designated by the policy.

### Inland Revenue Ordinance

As the Group carries out business in Hong Kong, we are subject to the profits tax regime under the (Chapter 112 of the Laws of Hong Kong) (“**IRO**”). The IRO is an ordinance for the purposes of imposing taxes on property, earnings and profits in Hong Kong. The IRO provides, among others, that persons, which include corporations, partnerships, trustees and bodies of person, carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profits (excluding profits from the sale of capital assets) arising in or derived from Hong Kong from such trade, profession or business. As of the Latest Practicable Date, the standard profits tax rate for corporations was at 8.25% on assessable profits up to HK\$2,000,000; and 16.5% on any part of assessable profits over HK\$2,000,000 (namely, two-tiered tax rates). The application of the two-tiered rates is restricted to only one entity nominated among group entities for a year of assessment. The standard profits tax rate for corporations not applying two-tiered tax rates was 16.5% on assessable profits. The IRO also contains provisions relating to, among others, permissible deductions for outgoings and expenses, set-offs for losses and allowances for depreciation.

In July 2018, the Inland Revenue (Amendment) (No. 6) Ordinance 2018 (the “**Amendment Ordinance**”) was enacted to introduce a legislative framework to codify how the pricing for the supply of goods and services between associated parties should be determined and implemented. Codified international transfer pricing principles include, amongst others, the arm’s length principle for provision between associated persons, the separate enterprises principle for attributing income or loss of non-Hong Kong resident person, and the three-tier transfer pricing documentation relating to the master file, local file and country-by-country reporting.

## REGULATORY OVERVIEW

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Based on the Amendment Ordinance, a person who has a Hong Kong tax advantage if taxed on the basis of a non-arm’s length provision (the “**Advantaged Person**”) will have income adjusted upwards or loss adjusted downwards. The advantaged person’s income or loss is to be computed as if arm’s length provision had been made or imposed instead of the actual provision. If the Advantaged Person fails to prove to the satisfaction of the assessor of the IRD that the amount of the person’s income or loss as stated in the person’s tax return in an arm’s length amount, the assessor of the IRD must estimate an amount as the arm’s length amount and, taking into account the estimated amount (a) make an assessment or additional assessment on the person; or (b) issue a computation of loss, or revise a computation of loss resulting in a smaller amount of computed loss, in respect of that person pursuant to section 50AAF of the IRO. In July 2019, the Inland Revenue Department further issued the Departmental Interpretation and Practice Notes No. 58, No. 59 and No. 60 to set out interpretations to the Amendment Ordinance.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### OUR HISTORY AND DEVELOPMENT

#### History

Our history can be traced back to 2004, when Shandong Lcang was established in the PRC by Mr. Xu, our Controlling Shareholder, executive Director, chief executive officer, president and chairman of our Board. Since the establishment of Shandong Lcang, we have grown from a freight forwarding company to an integrated cross-border logistics service provider. In the early stage of our development, we gradually set our footprint in key ports in China and established branches in cities on the east coast to carry out our cross-border logistics services. Being customer-centric, we closely follow customers’ demands and industry trends to expand our business scope and coverage regions. We ranked 15th in the cross-border logistics service market in China with an approximately 0.2% market share in terms of revenue in 2022. With our integrated service capabilities, flexible business model and internet service system, we provide one-stop cross-border logistics solutions to customers.

#### Business Development Milestones

The following sets forth of our Group’s key business development milestones.

<u>Year</u>	<u>Milestone events</u>
2004	Shandong Lcang, our principal operating subsidiary, was established in Qingdao, Shandong in November 2004.
2012	We obtained the qualification of Non-Vessel Operating Common Carrier (NVOCC) granted by the Ministry of Transport of the PRC in December 2012.
2015	We established “lcang.com” as an internet e-commerce system for our seaborne cross-border service in 2015.
2016	Shandong Lcang became quoted on the NEEQ from August 2016.
2017	We were accredited as an Innovation Layer Enterprise of the NEEQ (新三板創新層企業) in June 2017.
	We became a member corporation of International Shipping Enterprise Alliance (國際航運企業聯盟) in June 2017.
	We were nominated as one of the China’s Top 100 B2B Enterprises in 2017 (2017中國B2B百強企業) by China Electronic Commerce Association B2B Industry Branch (中國電子商務協會B2B行業分會) in December 2017.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

<u>Year</u>	<u>Milestone events</u>
	We became a member enterprise of Qingdao Enterprise Non-listed Public Companies Association” (青島市非上市公眾公司協會會員單位) in December 2017.
2018	<p>We were awarded the Internet Innovation Award 2017 (2017互聯網創新大獎) by China Shipping Gazette (中國航務週刊) and the Committee of China Freight Awards (中國貨運大獎組委會) in January 2018.</p> <p>We purchased our first vessel, BOYA, with a capacity of 735 TEU in June 2018.</p>
2019	<p>We acquired 75% of equity interest of Shanghai Sijin in April 2019.</p> <p>We were awarded the Panelist Certificate (委員證書) by China Containerized Freight Index Compiling Panel of Shanghai Shipping Exchange (上海航運交易所中國出口集裝箱運價指數編製委員會) in May 2019.</p> <p>We were awarded the Best Innovation NEEQ Company Award (新三板最佳公司創新獎) by the Committee of China NEEQ Annual Billboard (中國新三板年度風雲榜組委會) in October 2019.</p> <p>We were awarded the Company of the Year - Consumption Upgrading (年度消費升級領軍企業) in the NEEQ Year-end Selection of Wabei in 2019 (2019挖貝新三板年終評選) hosted by Wabei.cn (挖貝網) and Wabei NEEQ Research Institute (挖貝新三板研究院) in December 2019.</p>
2020	We were accredited as a member of the deputy council institutions (副理事長單位) by Qingdao Enterprise Non-listed Public Companies Association (青島市非上市公眾公司協會) in October 2020.
2021	<p>We established our cross-border seaborne transportation between China and the United States in May 2021.</p> <p>We became a registered enterprise with Dun &amp; Bradstreet (鄧白氏註冊) in June 2021.</p>
2022	Shandong Lcang voluntarily ceased to be quoted on the NEEQ from April 2022.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### OUR CORPORATE DEVELOPMENTS

#### Our Company

Our Company was incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on July 27, 2022 and became the holding company and the [REDACTED] of our Group. For details, see “—Reorganization.”

#### Our principal operating subsidiaries

We had been carrying out our business through various subsidiaries during the Track Record Period and as of the Latest Practicable Date. Our principal operating subsidiaries comprise major holding companies and/or subsidiaries which had material contributions to our Group’s asset, revenue and profit during the Track Record Period. The principal business activities and the place and date of incorporation or establishment of each of our principal operating subsidiaries are set out below:

<u>Name of company</u>	<u>Place of incorporation or establishment</u>	<u>Principal business activities</u>	<u>Date of incorporation or establishment</u>
Shandong Lcang	PRC	Provision of cross-border logistics services	November 16, 2004
BAL Container Line	Hong Kong	Provision of cross-border transportation services	August 14, 2012
Shanghai Sijin	PRC	Provision of cross-border logistics services	January 8, 1996
Ningbo Boya	PRC	Provision of cross-border logistics services	January 11, 2017

#### Major shareholding changes of our Company and our principal operating subsidiaries

##### *Our Company*

Our Company was incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on July 27, 2022. As of the date of its incorporation, the authorized share capital of our Company was US\$50,000 divided into 500,000,000 ordinary shares with a par value of US\$0.0001 each. For details of the shareholding changes of our Company upon incorporation, see “—Reorganization—Offshore Reorganization.”

For subsequent shareholding changes of our Company as part of the Reorganization, see “—Reorganization—Offshore Reorganization.”



## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### *Shandong Lcang*

#### *Establishment and initial shareholding changes*

Shandong Lcang was established in the PRC as a limited liability company on November 16, 2004 with an initial registered capital of RMB100,000, which was fully paid in cash. As of the date of its establishment, Shandong Lcang was owned as to 90% by Mr. Xu, our executive Director and one of our Controlling Shareholders, and 10% by Ms. Lv.

Subsequent to a series of increase in registered share capital during the period from November 16, 2004 to June 1, 2015, the share capital of Shandong Lcang was increased to RMB15,000,000, which was owned as to approximately 92.87% by Mr. Xu and 7.13% by Ms. Lv.

On July 21, 2015, Mr. Xu transferred 70% of the equity interest in Shandong Lcang to Qingdao Jiliang (a company controlled by Mr. Xu) at a consideration of RMB10,500,000, which was determined with reference to the paid up registered capital of Shandong Lcang at the time of such transfer and was fully settled on May 5, 2016. Qingdao Jiliang was owned as to 75% by Mr. Xu and 25% by Ms. Li at the time of such transfer. On the same day, Mr. Xu transferred approximately 22.87% of the equity interest in Shandong Lcang to Qingdao Boan (a limited partnership controlled by Mr. Xu) at a consideration of RMB3,430,000, which was determined with reference to the paid up registered capital of Shandong Lcang at the time of such transfer and was fully settled on March 31, 2016. Qingdao Boan is a limited partnership established in the PRC on June 25, 2015, which was owned as to approximately 5% by Qingdao Jiliang (the general partner of Qingdao Boan and a company controlled by Mr. Xu), 74.94% by Mr. Xu, 4.86% by Ms. Zhu Jiali (朱佳麗) (our executive Director), 3.89% by Mr. Zhang Feng (張峰) (our senior management member), 0.49% by Ms. Ding Sujun (丁素君) (our joint company secretary) and 10.82% by other 10 limited partners, all being the existing employees of our Group, as of the Latest Practicable Date. See “[REDACTED] Investments” for further details. Upon completion of such equity transfers, Shandong Lcang was owned as to 70% by Qingdao Jiliang, approximately 22.87% by Qingdao Boan and approximately 7.13% by Ms. Lv.

#### *Quotation on the NEEQ and Delisting from the NEEQ*

On November 27, 2015, in preparation for the quotation of shares of Shandong Lcang on the NEEQ, Shandong Lcang was converted from a limited liability company into a joint stock company with limited liability, and the registered capital of Shandong Lcang was subsequently increased to RMB22,000,000 divided into 22,000,000 shares with a nominal value of RMB1.00 each on December 18, 2015, which was fully paid up. Upon completion of such capital increase, Shandong Lcang was owned as to approximately 30.88% by Mr. Xu, 47.73% by Qingdao Jiliang, 15.59% by Qingdao Boan and 5.8% by Ms. Lv. On August 8, 2016, the shares of Shandong Lcang became quoted on the NEEQ under the stock short name “樂艙網” (stock code: 838349).

Subsequent to a series of increase in registered share capital during the period from June 30, 2017 to May 31, 2018, the registered share capital of Shandong Lcang was further increased from RMB22,000,000 to RMB42,618,000.



## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The NEEQ is a trading platform in the PRC for off-market transfer of non-listed public shares open to qualified investors only. We considered that the low liquidity of shares quoted on the NEEQ was generally difficult for our Company to publicly raise funds to continuously support our business development and strategic needs. Considering our business development and long-term strategic planning needs, including our aspirations to become more competitive in the industry we operate, our needs to raise business profile and to further attract equity investments through [REDACTED] on a stock exchange recognized internationally to maximize its shareholders’ interests, the then shareholders of Shandong Lcang held a general meeting on March 25, 2022, and a resolution to voluntarily delist Shandong Lcang from the NEEQ (the “**Resolution**”) has been proposed. In such general meeting, (i) the then shareholders holding 41,922,670 shares, representing approximately 98.37% of the total issued shares of Shandong Lcang, voted in favor of the Resolution; (ii) the then shareholders holding 182,000 shares, representing approximately 0.43% of the total issued shares of Shandong Lcang, voted against the Resolution; and (iii) the then shareholders holding 513,330 shares, representing approximately 1.20% of the total issued shares of Shandong Lcang, did not attend such general meeting. Accordingly, the Resolution has been passed and Shandong Lcang made an application to have its shares voluntarily ceased to be quoted on the NEEQ (the “**Delisting from the NEEQ**”) on April 8, 2022, which was approved by the NEEQ on April 19, 2022. Subsequently, Shandong Lcang was delisted from the NEEQ from April 21, 2022 (the “**NEEQ Delisting Date**”). Immediately prior to the Delisting from the NEEQ, Shandong Lcang had 128 shareholders and their shareholdings are set forth below:

<u>Name of Shareholders</u>	<u>Number of shares</u>	<u>Approximate percentage shareholding</u>
Qingdao Jiliang <sup>(Note 1)</sup>	12,820,300	30.08%
Mr. Xu	7,643,475	17.93%
Qingdao Boan <sup>(Note 1)</sup>	5,145,000	12.07%
Other shareholders <sup>(Note 2)</sup>	17,009,225	39.92%
<b>Total</b>	42,618,000	100.00%

*Notes:*

1. This is an entity controlled by Mr. Xu.
2. Other shareholders included 125 shareholders of Shandong Lcang. Save for Ms. Lv (interested in 4.54%), Ms. Xu Xiaoling (許曉玲) (Mr. Xu’s sister and interested in 3.01%), Mr. Fu Dazheng (傅達正) (a director and a substantial shareholder of Shanghai Sijin and interested in 0.92%) and Ms. Yang Jie (楊潔) (the spouse of Mr. Hong Yan (洪研) who is a director and a substantial shareholder of Shanghai Sijin, and interested in 0.75%), each of the remaining 121 other shareholders of Shandong Lcang was an Independent Third Party.

As a result of the Delisting from the NEEQ, shares of Shandong Lcang were no longer tradeable or transferrable on an open trading platform. The then shareholders of Shandong Lcang could either (i) dispose of their shares to the other then shareholders of Shandong Lcang or third parties at a consideration to be agreed between parties; or (ii) continue to hold shares of Shandong Lcang. In addition, as a protection measure offered to minority dissenting

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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shareholders pursuant to the applicable PRC laws for the Delisting from the NEEQ, Mr. Xu and Ms. Li, the then controlling shareholders of Shandong Lcang, granted a repurchase right to eligible minority shareholders, who were entitled to vote at, but did not attend the general meeting of Shandong Lcang or did not vote in favor for the Resolution, upon which they may make a written request to Mr. Xu and Ms. Li (or their designated third party) to repurchase the shares of Shandong Lcang held by them at a price subject to negotiation with reference to (i) their original investment price; and (ii) the average closing price of 20 consecutive trading days immediately preceding to March 9, 2022 (being the date of which the board of directors of Shandong Lcang approved the Resolution) within the period as announced by Shandong Lcang, i.e. 60 calendar days from the NEEQ Delisting Date and shall be completed within 90 calendar days from the NEEQ Delisting Date (the “**Share Repurchase**”). As of July 21, 2022, Mr. Xu repurchased an aggregate of 816,874 shares from 72 minority shareholders of Shandong Lcang, representing approximately 1.92% of the total issued shares of Shandong Lcang, at a consideration which was determined with reference to (i) the original investment price paid by each minority shareholder; and (ii) the average closing price of 20 consecutive trading days of Shandong Lcang immediately preceding to March 9, 2022 (being the date of which the board of directors of Shandong Lcang approved the Resolution) and were settled. 40 shareholders of Shandong Lcang, being the Minority Shareholders holding an aggregate of approximately 1.06% issued shares of Shandong Lcang, decided to continue holding shares of Shandong Lcang given that they did not reach commercial agreements with any then shareholders of Shandong Lcang or third parties to dispose of their shares to effect the divestment in Shandong Lcang or dispose of their shares pursuant to the Reorganization. The remaining 16 shareholders of Shandong Lcang disposed of their shares pursuant to the Reorganization and became our Shareholders upon completion of the Reorganization.

Our Directors believe that the Delisting from the NEEQ and the application for the [REDACTED] will be beneficial to our business development for the following reasons: (i) the Stock Exchange, as a leading player of the international financial market, could offer us direct access to the international capital market, enhance our fund-raising capabilities and channels and broaden our Shareholders base; (ii) the [REDACTED] on the Stock Exchange would in turn help us attract and motivate the talents that we need to support our rapid growth, retain key management personnel for our business and enhance our operating efficiency on an ongoing basis and improve our corporate governance; and (iii) the [REDACTED] will allow us to further build our business profile, gain international recognition, promote our brand awareness and thus, enhance our ability to attract international customers, business partners and strategic investors as well as to deepen our global business footprint.

As confirmed by our PRC Legal Advisors, the Delisting from the NEEQ was duly completed and all applicable approvals have been obtained. Our Directors confirmed that, during the quotation of shares of Shandong Lcang on the NEEQ, (i) Shandong Lcang had been operating in compliance with all applicable PRC securities laws and regulations as well as rules and regulations of the NEEQ in all material respects; (ii) Shandong Lcang, its directors, supervisors, and subsidiaries had not been subject to any material disciplinary action by the relevant regulators; and (iii) there has not been any matter that should be brought to the attention of the Stock Exchange and our Company’s shareholders.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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Based solely on the facts known to the Joint Sponsors through conducting reasonable due diligence in the circumstances, namely: (a) with the assistance of the PRC legal advisors to the Joint Sponsors, reviewing relevant filings and announcements published on the website of the NEEQ during the period of our listing on the NEEQ up to our Delisting from the NEEQ; (b) with the assistance of the PRC legal advisors to the Joint Sponsors, reviewing the background search results on Shandong Lcang conducted by an independent search agent; (c) making due diligence enquires with our Company with a view to understanding the rationale for the Delisting from the NEEQ and confirming whether there have been any non-compliance incidents in relation to the listing on and the Delisting from the NEEQ; and (d) with the assistance of the PRC legal advisors to the Joint Sponsors, reviewing the PRC legal opinion prepared by our PRC Legal Advisor, according to which Shandong Lcang had not been subject to administrative penalty by the NEEQ or the CSRC during the period of our listing on the NEEQ up to our Delisting from the NEEQ, and on the basis that there were no misrepresentations or omissions to the Joint Sponsors’ due diligence enquiries, nothing has come to the attention of the Joint Sponsors that would lead them to cast doubts on the Directors’ confirmations above.

### *Subsequent investments by Ms. Wang Wang and Ms. Liu Lin after the Delisting from the NEEQ*

Subsequent to the Delisting from the NEEQ, on 5 May, 2022, Ms. Wang Wang (汪汪), an Independent Third Party, acquired 937,500 shares, representing approximately 2.20% of the total issued shares of Shandong Lcang from Jiangxi Wang’s Bee Garden Co., Ltd. (江西汪氏蜜蜂園有限公司) (“**Wang’s Bee Garden**”), a former shareholder of Shandong Lcang and an Independent Third Party, at a consideration of RMB10,125,000, which was determined after arm’s length negotiations between the parties with reference to the average closing price of 20 consecutive trading days of Shandong Lcang immediately preceding to March 9, 2022 (being the date of which the board of directors of Shandong Lcang approved the proposal of voluntary cessation of quotation on the NEEQ) and was fully settled on May 13, 2022. Ms. Wang is the second largest shareholder of Wang’s Bee Garden and the daughter of the controlling shareholder of Wang’s Bee Garden.

On May 20, 2022, Ms. Liu Lin (劉琳) acquired 1,680,200 shares, representing approximately 3.94% of the total issued shares of Shandong Lcang from Mr. Qiu Ronghao (邱榮浩), a former shareholder of Shandong Lcang and an Independent Third Party, at a consideration of RMB9,409,120, which was determined after arm’s length negotiations between the parties with reference to the then consideration paid by Mr. Qiu Ronghao for purchasing shares of Shandong Lcang through quotation and trading on the NEEQ and was fully settled on May 28, 2022. Ms. Liu Lin is the spouse of Mr. Zhu Junchen (朱駿晨) who is a director of Shanghai Sijin (a non-wholly owned subsidiary of our Company) and therefore a connected person of our Company.

See “[REDACTED] Investments” of this section for further details about Ms. Wang Wang and Ms. Liu Lin.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### *Share transfers and change in registered capital pursuant to the Reorganization*

As part of the Reorganization, certain share transfers and change in the registered capital of Shandong Lcang were conducted. As a result of the Reorganization, on October 10, 2022, Shandong Lcang became indirectly owned by our Company. For details, see “—Reorganization.”

### *BAL Container Line*

BAL Container Line was incorporated in Hong Kong with limited liability on August 14, 2012 with an authorized share capital of HK\$10,000. On 29 November 2013, the authorized share capital of BAL Container Line was increased from HK\$10,000 to HK\$20,000,000. On July 23, 2015, for the purpose of expanding our cross-border logistics services, Burngroup Holding (an indirectly non-wholly owned subsidiary of our Company) acquired 100% shares of BAL Container Line from Reputable Capital Overseas Limited, a company incorporated in the BVI with limited liability which was ultimately controlled by an Independent Third Party, at a consideration of US\$2,499,000, which was determined with reference to the total net asset of BAL Container Line as of May 31, 2015 and was fully settled on July 21, 2015. Upon completion of such acquisition, BAL Container Line became our non-wholly owned subsidiary and its financial results had since been consolidated into the financial statements of our Group.

### *Shanghai Sijin*

Shanghai Sijin was established in the PRC as a sino-foreign joint venture company with limited liability on January 8, 1996 with an initial registered capital of US\$1,200,000 and was converted into a domestic company on April 18, 2007 with registered capital of RMB9,960,000. On April 19, 2019, for the purpose of expanding our market share of cross border logistics services and further enhance the service coverage of our internet system, Shandong Lcang acquired 41.25% and 33.75% of equity interest in Shanghai Sijin from Mr. Fu Dazheng and Mr. Hong Yan, respectively, for a total consideration of RMB9,750,000, which was determined after arm’s length negotiations between the parties with reference to the total net asset of Shanghai Sijin at the time of such transfer and was fully settled on June 12, 2019. As part of the agreement for such acquisition, Mr. Fu Dazheng and Ms. Yang Jie subsequently acquired an aggregate of 709,000 shares of Shandong Lcang through the NEEQ at a total consideration of RMB5,325,609.19 and was fully settled on June 21, 2019. Upon completion of the above acquisitions and equity transfers, (i) Shanghai Sijin became a non-wholly owned subsidiary of our Company and its financial results had since been consolidated into the financial statements of our Group; and (ii) Mr. Fu Dazheng and Ms. Yang Jie became shareholders of Shandong Lcang who were interested in approximately 0.92% and 0.75% of the then total issued shares in Shandong Lcang, respectively. Shanghai Sijin has been owned as to 75% by Shandong Lcang, 13.75% by Mr. Fu Dazheng (a director of Shanghai Sijin) and 11.25% by Mr. Hong Yan (洪研) (a director of Shanghai Sijin and the spouse of Ms. Yang Jie who is the ultimate beneficial owner of Lecang Amazing, our Shareholder) since April 19, 2019 and as of the Latest Practicable Date.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### *Ningbo Boya*

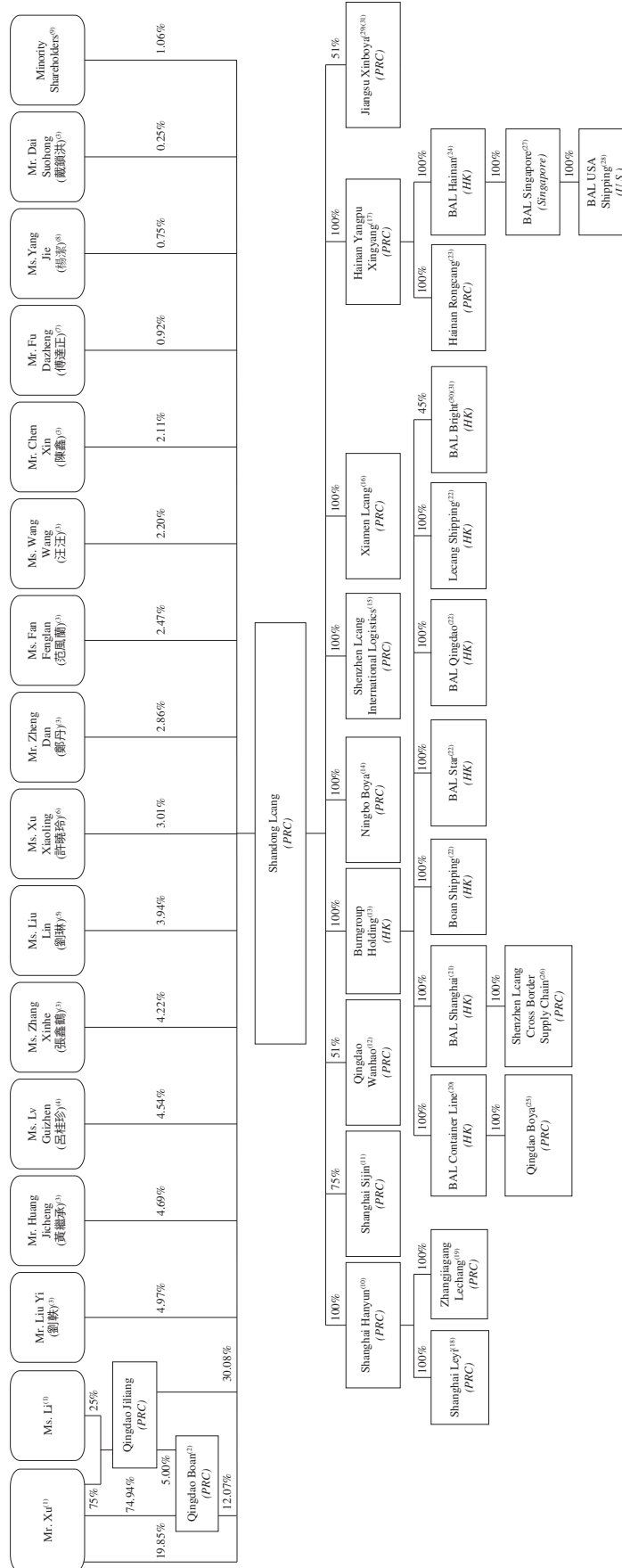
Ningbo Boya is a company established in the PRC with limited liability on January 11, 2017 with a registered share capital of RMB5,000,000. Upon its establishment, Ningbo Boya was owned as to 70% by Shandong Lcang and 30% by Ningbo Avenue Zhonghe Enterprise Management Partnership (Limited Partnership) (寧波大道中和企業管理合夥企業(有限合夥)) (“**Zhonghe Enterprise**”), which was ultimately controlled by Mr. Cao Xiang (曹翔), a former employee of our Group. Since Zhonghe Enterprise intended to divest its interest in Ningbo Boya and it has not contributed to the registered share capital of RMB1,500,000 as committed at the time of establishment of Ningbo Boya, on October 11, 2019, Shandong Lcang acquired 30% of the registered share capital in Ningbo Boya from Zhonghe Enterprise at nil consideration. Upon completion of such acquisition on October 11, 2019, Ningbo Boya became a wholly-owned subsidiary of Shandong Lcang and an indirect non-wholly owned subsidiary of our Company.

Our Directors confirm that our Company did not conduct any major acquisition or major disposal during the Track Record Period and up to the Latest Practicable Date.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### REORGANIZATION

In preparation for the [REDACTED], we underwent the Reorganization pursuant to which our Company became the holding company and [REDACTED] of our Group. The following chart sets forth a simplified shareholding structure of our Group immediately before the Reorganization:



## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

*Notes:*

1. Ms. Li is one of our ultimate Controlling Shareholders, executive Director and vice president and is Mr. Xu’s spouse.
2. Qingdao Boan, a limited partnership established in the PRC on June 25, 2015, was owned as to approximately 5% by Qingdao Jiliang (the general partner of Qingdao Boan and a company controlled by Mr. Xu), 74.94% by Mr. Xu, 4.86% by Ms. Zhu Jiali (our executive Director), 3.89% by Mr. Zhang Feng (our senior management member), 0.49% by Ms. Ding Sujun (our joint company secretary) and 10.82% by other 10 limited partners, all being existing employees of our Group, as of the Latest Practicable Date.
3. Each of Mr. Liu Yi (劉軼), Mr. Huang Jicheng (黃繼承), Ms. Zhang Xinhe (張鑫鶴), Mr. Zheng Dan (鄭丹), Ms. Fan Fenglan (范風蘭), Ms. Wang Wang (汪汪), Mr. Chen Xin (陳鑫) and Mr. Dai Suohong (戴鎖洪) is an Independent Third Party.
4. Ms. Lv is Mr. Xu’s mother and Ms. Li’s mother-in-law.
5. Ms. Liu Lin is the spouse of Mr. Zhu Junchen, a director of Shanghai Sijin (a non-wholly owned subsidiary of Shandong Lcang). For details of Ms. Liu Lin, see “[REDACTED] Investments—Information Relating to Our [REDACTED] Investors.”
6. Ms. Xu Xiaoling is Mr. Xu’s sister.
7. Mr. Fu Dazheng is a substantial shareholder and a director of Shanghai Sijin (a non-wholly owned subsidiary of Shandong Lcang).
8. Ms. Yang Jie is the spouse of Mr. Hong Yan, a substantial shareholder and a director of Shanghai Sijin (a non-wholly owned subsidiary of Shandong Lcang).
9. Minority Shareholders refer to 40 shareholders of Shandong Lcang, each of whom was an Independent Third Party and held less than 0.5% of the total issued shares of Shandong Lcang.
10. Shanghai Hanyun is principally engaged in the provision of cross-border logistics services.
11. Shanghai Sijin is principally engaged in the provision of cross-border logistics services.
12. Qingdao Wanhao is principally engaged in the provision of vessel management, marketing and operational support services. As of the Latest Practicable Date, Qingdao Wanhao was owned as to 51% by Shandong Lcang and 49% by Qingdao Hongyi Enterprise Management Partnership (Limited Partnership) (青島弘毅企業管理合夥企業(有限合夥)), which was in turn controlled by Yang Jisheng (楊積生) and Chen Shuyi (陳姝亦), each being an Independent Third Party.
13. Burngroup Holding is an investment holding company of certain subsidiaries of our Company conducting seaborne transportation operations and vessel chartering business.
14. Ningbo Boya is principally engaged in provision of cross-border logistics services.
15. Shenzhen Lcang International Logistics is principally engaged in the provision of cross-border logistics services.
16. Xiamen Lcang is principally engaged in the provision of cross-border logistics services.
17. Hainan Yangpu Xingyang has not carried out business since its establishment.
18. Shanghai Leyi is principally engaged in road cargo transportation business.
19. Zhangjiagang Lechang has not carried out business since its establishment.
20. BAL Container Line is principally engaged in provision of cross-border transportation services.
21. BAL Shanghai is principally engaged in vessel operation and chartering business.



## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

22. Each of Boan Shipping, BAL Star, BAL Qingdao and Lecang Shipping is principally engaged in vessel chartering business.
23. Hainan Rongchang has not commenced business since its establishment.
24. BAL Hainan has not carried out business since its establishment.
25. Qingdao Boya is principally engaged in the provision of cross-border logistics services.
26. Shenzhen Lcang Cross Border Supply Chain is principally engaged in cross-border logistics business.
27. BAL Singapore is an investment holding company of our Company.
28. BAL USA Shipping is principally engaged in providing customer service in the U.S.
29. Jiangsu Xinboya was principally engaged in freight forwarding business and owned as to 51% by Shandong Lcang, 24.5% by Mr. Zhu Dong (朱東) and 24.5% by Ms. Tang Lili (唐麗麗), both being Independent Third Parties. With a view to focusing on cross-border logistics and related services and in view of the different business strategies, development directions and expectations among the shareholders of Jiangsu Xinboya, we disposed of 36% equity interest of Jiangsu Xinboya in December 2021 to Mr. Zhu Dong and Ms. Tang Lili and retained 15% equity interest after the completion of aforesaid disposal such that Mr. Zhu Dong and Ms. Tang Lili could continuously bring in synergy of freight forwarding business to our Group in the future. Jiangsu Xinboya ceased to be a subsidiary of Shandong Lcang upon completion of such disposal.
30. BAL Bright was owned as to 55% by Skyfield Dragon Ltd., an Independent Third Party, and 45% by Burngroup Holding. Given that we were not able to acquire majority stake in BAL Bright nor control BAL Bright in the long run and with a view to realizing our investment return, we disposed of all our equity interest in BAL Bright to Skyfield Dragon Ltd. in December 2021.
31. As confirmed by our Directors, each of Jiangsu Xinboya and BAL Bright was not subject to any material non-compliant incidents, claims, litigations or legal proceedings (whether actual or threatened) prior to the disposals made by our Group.
32. Shareholding percentages may not add up to 100% due to rounding.

### **Onshore Reorganization**

#### ***Establishment of Lcang Enterprise Management and acquisition of 29.38% of the total issued shares of Shandong Lcang***

Lcang Enterprise Management was established in the PRC with limited liability on May 31, 2022 as the intermediate holding company of our Group in the PRC with a registered capital of RMB5,000,000, which was fully paid on August 23, 2022. On the date of its establishment, Lcang Enterprise Management was wholly owned by Lcang Technology, a company established in the PRC with limited liability on May 25, 2022 and owned by 11 then shareholders of Shandong Lcang (including approximately 16.90% by Mr. Liu Yi (劉軼), 15.97% by Mr. Huang Jicheng (黃繼承), 14.37% by Ms. Zhang Xinhe (張鑫鶴), 13.42% by Ms. Liu Lin, 9.74% by Mr. Zheng Dan (鄭丹), 8.42% by Ms. Fan Fenglan (范風蘭), 7.49% by Ms. Wang Wang, 7.19% by Mr. Chen Xin (陳鑫), 3.11% by Mr. Fu Dazheng, 2.55% by Ms. Yang Jie and 0.84% by Mr. Dai Suohong (戴鎖洪)).



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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On June 20, 2022, Lcang Enterprise Management acquired an aggregate of 12,522,248 shares, representing approximately 29.38% of the total issued shares of Shandong Lcang from 11 individual shareholders of Shandong Lcang (namely, Mr. Liu Yi, Mr. Huang Jicheng, Ms. Zhang Xinhe, Ms. Liu Lin, Mr. Zheng Dan, Ms. Fan Fenglan, Ms. Wang Wang, Mr. Chen Xin, Mr. Fu Dazheng, Ms. Yang Jie and Mr. Dai Suohong). Other than Mr. Fu Dazheng (a director and a substantial shareholder of Shanghai Sijin), Ms. Yang Jie (the spouse of Mr. Hong Yan who is a director and a substantial shareholder of Shanghai Sijin) and Ms. Liu Lin (the spouse of Mr. Zhu Junchen who is a director of Shanghai Sijin) who are connected persons of our Company, each of the other eight individual shareholders of Shandong Lcang is an Independent Third Party. The consideration of such acquisitions was determined after arm’s length negotiations among the parties with reference to the net book value of Shandong Lcang as of March 31, 2022 and was fully settled on August 31, 2022.

### *Equity transfers from Mr. Xu to Ms. Liu*

For the purpose of showing support to Mr. Xu on one hand and with a view to giving an opportunity for Ms. Liu, the mother-in-law of Mr. Xu, to invest in Shandong Lcang and share the success of our business on the other hand, on July 10, 2022, Mr. Xu transferred (i) 2,087,078 shares, representing approximately 4.90% of the total issued shares of Shandong Lcang at a consideration of RMB3,180,289.46; and (ii) 15% of equity interest in Qingdao Jiliang (a then shareholder of Shandong Lcang which was owned as to 75% by Mr. Xu and 25% by Ms. Li prior to such transfer) at a consideration of RMB1,462,635, to Ms. Liu. The consideration was determined after arm’s length negotiations between the parties with reference to the net book value of Shandong Lcang as of March 31, 2022, and were fully settled on August 23, 2022.

### *Capital increase of Lcang Technology by existing shareholders of Shandong Lcang*

On July 25, 2022, four shareholders of Shandong Lcang (namely, Mr. Xu, Ms. Liu, Ms. Lv and Ms. Xu Xiaoling) and beneficial owners of Qingdao Jiliang and Qingdao Boan (including Mr. Xu, Ms. Li, Ms. Liu and other 13 existing employees of our Group) made a total capital contribution of RMB695,539 into the registered capital of Lcang Technology. Upon completion of such capital increase, the registered capital of Lcang Technology was increased from RMB293,826 to RMB989,365. See “Our Corporate Developments—Major shareholding changes of our Company and our principal operating subsidiaries—Shandong Lcang” of this section for further details of Qingdao Boan.

### *Acquisition of 54.60% of the total issued shares of Shandong Lcang*

On August 5, 2022, Lcang Enterprise Management acquired an aggregate of 23,269,103 shares, representing approximately 54.60% of the total issued shares of Shandong Lcang from five shareholders of Shandong Lcang (namely, Qingdao Jiliang, Qingdao Boan, Ms. Liu, Ms. Lv and Ms. Xu Xiaoling). Each of these shareholders is a connected person of our Company. The consideration of such acquisition was determined after arm’s length negotiations among the parties with reference to the net book value of Shandong Lcang as of March 31, 2022 and

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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was fully settled on August 31, 2022. Upon completion of such acquisition, Shandong Lcang was owned as to approximately 83.98% by Lcang Enterprise Management, 14.96% by Mr. Xu, 0.0002% by PCW (HK) and 1.06% by the Minority Shareholders who did not dispose of their shares in Shandong Lcang pursuant to the Reorganization or participated in the Share Repurchase (each of the Minority Shareholders was an Independent Third Party holding less than 0.5% of the total issued shares of Shandong Lcang and was not entitled to any special rights in Shandong Lcang).

Due to the restriction of share transfer of directors of a joint stock company under the PRC Company Law, as a part of the Reorganization, Mr. Xu resigned as a director, the chairman of the board of directors and the general manager of Shandong Lcang on August 5, 2022. Subsequent to his resignation, on August 5, 2022, Mr. Xu and Lcang Enterprise Management entered into a share transfer agreement with a deferred closing date, together with a voting rights entrustment agreement and an income rights transfer agreement (collectively, the “**Relevant Agreements**”), pursuant to which (i) Mr. Xu agreed that he shall transfer 6,373,171 shares, representing approximately 14.96% of the total issued shares of Shandong Lcang (the “**Relevant Shares**”) to Lcang Enterprise Management on February 5, 2023 at a consideration of RMB9,711,437.97, which was determined after arm’s length negotiations among the parties with reference to the net book value of Shandong Lcang as of March 31, 2022; (ii) prior to the transfer of the Relevant Shares, Mr. Xu agreed to entrust the voting rights and income (including dividends, other distributions and other economic benefits) rights of the Relevant Shares to Lcang Enterprise Management from August 5, 2022. Accordingly, the Relevant Shares were transferred from Mr. Xu to Lcang Enterprise Management on February 5, 2023 and the consideration was settled on February 6, 2023 pursuant to the share transfer agreement with a deferred closing date. Lcang Enterprise Management has been in control of approximately 98.94% of the voting rights in Shandong Lcang upon signing of such agreements, and has become the shareholder holding approximately 98.94% of the total issued shares of Shandong Lcang upon completion of such transfers.

As advised by our PRC Legal Advisors, the Relevant Agreements have been fully authorized and duly executed, constitute binding obligations on parties to such agreements, and are legal, enforceable and valid; the terms of the Relevant Agreements are not in conflict with any PRC law or regulation and the Relevant Agreements as well as the transfer of the Relevant Shares from Mr. Xu to Lcang Enterprise Management on February 5, 2023, being a date after six months of Mr. Xu’s resignation as a director, the chairman of the board of directors and the general manager of Shandong Lcang, are not in violation of the PRC Company Law, and do not constitute as a circumvention of the relevant PRC law.

### *Capital Increase of Lcang Enterprise Management*

On August 24, 2022, Lcang Technology (the sole shareholder of Lcang Enterprise Management) made a capital contribution of RMB50,000,000, of which RMB940,000 contributed as the registered capital and RMB49,060,000 as the capital reserve of Lcang Enterprise Management. Upon completion of such capital increase, the registered capital of Lcang Enterprise Management was increased from RMB5,000,000 to RMB5,940,000.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### *Investment in Shandong Lcang and Lcang Enterprise Management by PCW*

On August 4, 2022, PCW (HK), a company wholly owned by PCW, acquired 100 shares, representing approximately 0.0002% of the total issued shares of Shandong Lcang from Mr. Xu at a consideration of RMB1,247 (or the equivalent amount in US dollars), which was determined through arm’s length negotiations between the parties with reference to the average closing price for 20 consecutive trading days of Shandong Lcang immediately preceding to March 9, 2022 (being the date of which the board of directors of Shandong Lcang approved the proposal of voluntary cessation of quotation on the NEEQ) and was fully settled on August 30, 2022.

On September 27, 2022, PCW (HK), subscribed for 1% of the registered capital of Lcang Enterprise Management at a consideration of RMB8,132,808 (or the equivalent amount in US dollars), which was determined through arm’s length negotiation between the parties with reference to the total net asset value of Lcang Enterprise Management as of August 31, 2022 as appraised by an independent professional valuer and was fully paid on October 20, 2022.

Upon completion of such acquisition and capital contribution, PCW (HK) became interested in 100 shares of Shandong Lcang approximately 0.0002% of the total issued shares of Shandong Lcang and 1% of the registered capital in Lcang Enterprise Management. PCW (HK) is a company incorporated in Hong Kong with limited liability, which was wholly-owned by PCW at the time of such transfer. PCW is wholly owned by Mr. Wang Cheng (王琤), an Independent Third Party and our [REDACTED] Investor. For details of PCW (HK) and Mr. Wang Cheng, see “[REDACTED] Investments—Information Relating to Our [REDACTED] Investors.”

### **Offshore Reorganization**

#### *Incorporation of our Company*

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on July 27, 2022 to act as the holding company and [REDACTED] of our Group. As of the date of its incorporation, the authorized share capital of our Company was US\$50,000 divided into 500,000,000 ordinary shares with a par value of US\$0.0001 each. On the date of its incorporation, one Share was allotted and issued at par to an initial subscriber, an Independent Third Party, which was then transferred at par to Lecang Shining, a company ultimately controlled by Ms. Li (one of our ultimate Controlling Shareholders). For the purpose of reflecting the then shareholding structure of Shandong Lcang before the Reorganization at the offshore level, on the same date, our Company allotted and issued 42,164,521 Shares to the offshore holding vehicles of each of the then shareholders of Shandong Lcang corresponding to their respective shareholdings in Shandong Lcang. Upon completion of the share allotment and issuance, the shareholding of our Company is set forth below:

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Name of Shareholders	Number of Shares held	Approximate percentage of shareholding upon the completion of the allotment and issuance
Lecang Altitude <sup>(1)</sup>	12,649,387	30.00%
Lecang Fantasy <sup>(2)</sup>	1,415,965	3.36%
Glorious Sailing <sup>(3)</sup>	5,042,100	11.96%
Lecang Shining <sup>(4)</sup>	3,269,387	7.75%
Lecang Flourishing <sup>(5)</sup>	4,048,710	9.60%
Power Bright <sup>(6)</sup>	2,116,907	5.02%
Lecang Liberty <sup>(7)</sup>	2,000,000	4.74%
Cassia Treasure <sup>(8)</sup>	1,933,700	4.59%
Lecang Vast Galaxy <sup>(9)</sup>	1,800,000	4.27%
Lecang Crystal <sup>(10)</sup>	1,784,841	4.23%
Lecang Blooming <sup>(11)</sup>	1,283,025	3.04%
Lecang Champion <sup>(12)</sup>	1,220,000	2.89%
Wind Blue <sup>(13)</sup>	1,054,000	2.50%
Lecang Luxuriant <sup>(14)</sup>	937,500	2.22%
Lecang Soar <sup>(15)</sup>	900,000	2.14%
Lecang Vast Star <sup>(16)</sup>	390,000	0.93%
Lecang Amazing <sup>(17)</sup>	319,000	0.76%
<b>Total</b>	<b>42,164,522</b>	<b>100.00%</b>

*Notes:*

- Lecang Altitude is a company incorporated in the BVI with limited liability and is wholly owned by Grand Sailing, which is in turn wholly owned by Mr. Xu.
- Lecang Fantasy is a company incorporated in the BVI with limited liability and is wholly owned by Lecang Boundless Limited, which is in turn wholly owned by Mr. Xu.
- Glorious Sailing is owned as to approximately 79.53% by Mr. Xu, 4.96% by Ms. Zhu Jiali (朱佳麗) (our executive Director), 3.97% by Mr. Zhang Feng (張峰) (our senior management member), 0.50% by Ms. Ding Sujun (丁素君) (our joint company secretary) and 11.04% by other 10 existing employees of our Group. Other than Mr. Xu, each of the shareholders in Glorious Sailing is a [REDACTED] Investor, whose particulars are set forth in “—Information relating to our [REDACTED] Investors”.
- Lecang Shining is a company incorporated in the BVI with limited liability and is wholly owned by Peace Seaworld, which is in turn wholly owned by Ms. Li.
- Lecang Flourishing is a company incorporated in the BVI with limited liability and is wholly owned by Spring Wealth, which is in turn wholly owned by Ms. Liu.
- Power Bright is a company incorporated in the BVI with limited liability and is wholly owned by Mr. Liu Yi (劉軼), an Independent Third Party.
- Lecang Liberty is a company incorporated in the BVI with limited liability and is wholly owned by Mr. Huang Jicheng (黃繼承), an Independent Third Party.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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8. Cassia Treasure is a company incorporated in the BVI with limited liability and is wholly owned by Ms. Lv.
9. Lecang Vast Galaxy is a company incorporated in the BVI with limited liability and is wholly owned by Ms. Zhang Xinhe (張鑫鶴), an Independent Third Party.
10. Lecang Crystal is a company incorporated in the BVI with limited liability and is wholly owned by Ms. Liu Lin (劉琳), the spouse of Mr. Zhu Junchen (朱駿晨) who is a director of Shanghai Sijin, a non-wholly owned subsidiary of our Company.
11. Lecang Blooming is a company incorporated in the BVI with limited liability and is wholly owned by Ms. Xu Xiaoling (許曉玲), Mr. Xu’s sister.
12. Lecang Champion is a company incorporated in the BVI with limited liability and is wholly owned by Mr. Zheng Dan (鄭丹), an Independent Third Party.
13. Wind Blue is a company incorporated in the BVI with limited liability and is wholly owned by Ms. Fan Fenglan (范風蘭), an Independent Third Party.
14. Lecang Luxuriant is a company incorporated in the BVI with limited liability and is wholly owned by Ms. Wang Wang (汪汪), an Independent Third Party.
15. Lecang Soar is a company incorporated in the BVI with limited liability and is wholly owned by Mr. Chen Xin (陳鑫), an Independent Third Party.
16. Lecang Vast Star is a company incorporated in the BVI with limited liability and is wholly owned by Mr. Fu Dazheng (傅達正), a substantial shareholder and a director of Shanghai Sijin, a non-wholly owned subsidiary of our Company.
17. Lecang Amazing is a company incorporated in the BVI with limited liability and is wholly owned by Ms. Yang Jie (楊潔), the spouse of Mr. Hong Yan (洪研) who is a substantial shareholder and a director of Shanghai Sijin, a non-wholly-owned subsidiary of our Company.

### ***Incorporation of LC (BVI)***

LC (BVI) was incorporated in the BVI with limited liability on August 5, 2022 as the intermediate holding company of our Group in the BVI. On the date of its incorporation, one share of LC (BVI) was allotted and issued to our Company at par and LC (BVI) then became wholly owned by our Company.

### ***Incorporation of LC (HK)***

LC (HK) was incorporated in Hong Kong with limited liability on August 18, 2022 as the intermediate holding company of our Group in Hong Kong. On the date of its incorporation, one share of LC (HK) was allotted and issued to LC (BVI) at par and LC (HK) then became wholly owned by LC (BVI).

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### *Share Swap between our Company and PCW*

On October 7, 2022, PCW entered into a share swap agreement with our Company, pursuant to which PCW transferred one share of PCW Investment, representing the entire issued share capital of PCW Investment, to our Company in consideration of the issuance of 426,004 Shares, representing approximately 1.00% of our issued share capital, by our Company to PCW. Upon completion of such share swap, PCW Investment became a wholly-owned subsidiary of our Company and PCW (HK), the wholly-owned subsidiary of PCW Investment, became an indirect wholly-owned subsidiary of our Company. PCW is a company incorporated in BVI with limited liability and is wholly owned by Mr. Wang Cheng, an Independent Third Party and our [REDACTED] Investor. For details of PCW, see “[REDACTED] Investments—Information relating to our [REDACTED] Investors.”

### *Acting in Concert Arrangement*

On October 15, 2022, our ultimate Controlling Shareholders, Mr. Xu. Ms. Li and Ms. Liu, executed the Acting in Concert Deed, pursuant to which each of Mr. Xu. Ms. Li and Ms. Liu agreed and confirmed that from the date they became the registered owners, the ultimate controllers and/or beneficial owners of the equity interests in our Group to the date when any of them ceases to be our Controlling Shareholder, they had been and would continue to be parties acting in concert. See “Relationship with Our Controlling Shareholders” for further details.

### **Establishment of Lcang (Qingdao) and capital contribution and acquisition of equity interest in Lcang Enterprise Management by Lcang (Qingdao)**

Lcang (Qingdao) is our intermediate holding company in the PRC. It was established in the PRC with limited liability on October 8, 2022 with a registered capital of RMB5,000,000 to be fully paid up pursuant to the articles of association of Lcang (Qingdao). Since its establishment, Lcang (Qingdao) has been wholly-owned by LC (HK).

On October 9, 2022, Lcang (Qingdao) contributed RMB80,000,000 to Lcang Enterprise Management for subscribing for approximately 93.02% of the registered capital of Lcang Enterprise Management. The amount of capital contribution was determined after arm’s length negotiations among the parties with reference to the then registered capital of Lcang Enterprise Management at the time prior to such capital contribution and was fully settled on October 14, 2022. On October 10, 2022, Lcang (Qingdao) acquired approximately 6.91% of the registered capital in Lcang Enterprise Management from Lcang Technology at a consideration of RMB62,287,680.30, which was determined after arm’s length negotiations among the parties with reference to (i) the total net asset of Lcang Enterprise Management as of August 31, 2022 by an independent professional valuer and (ii) the amount of capital contribution contributed by each of PCW (HK) and Lcang (Qingdao), and was settled in full on October 19, 2022. Upon completion of such capital contribution and acquisition, Lcang Enterprise Management has been owned as to 99.93% by Lcang (Qingdao) and 0.07% by PCW (HK) since then.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### [REDACTED] INVESTMENTS

Our Company attracted several rounds of investment from our [REDACTED] Investors (the “[REDACTED] Investments”), details of which are set out below:

Date of agreement of initial investments	Employees [REDACTED] Investment <sup>(5)</sup>		Ms. Liu Lin's Investment <sup>(6)</sup>	Ms. Wang Wang's Investment <sup>(7)</sup>	Ms. Liu's Investment <sup>(8)</sup>	PCW's Investment <sup>(9)</sup>
	July 26, 2015	July 1, 2017				
Name of [REDACTED] Investors	Ms. Zhu Jiali, Ms. Zhang Xiaojing, Mr. Fu Kai, Mr. Feng Wenxiang, Ms. Sun Yao and Mr. Ji Chunfeng	Mr. Feng Wenxiang	Ms. Zhu Jiali, Ms. Zhang Xiaojing, Mr. Zhang Feng, Ms. Sun Yao, Ms. Ding Sujun, Mr. Ji Chunfeng, Mr. Zeng Xiangdi, Mr. Liu Zhenfei, Ms. Shao Jingwen, Ms. Yu Lan and Mr. Sun Zhenlin <sup>(5)</sup>	Ms. Wang Wang	Ms. Liu Qianxiang	PCW
	July 26, 2015	July 1, 2017	July 10, 2018	May 5, 2022	July 10, 2022	September 26, 2022



## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

	Employees' [REDACTED] Investment <sup>(5)</sup>	Ms. Liu Lin's Investment <sup>(6)</sup>	Ms. Wang Wang's Investment <sup>(7)</sup>	Ms. Liu's Investment <sup>(8)</sup>	PCW's Investment <sup>(9)</sup>			
Amount of consideration paid for initial investments and basis of consideration <sup>(5)-(9)</sup>	RMB300,000	RMB50,000	RMB1,191,800	RMB9,411,575	RMB10,125,000	RMB4,642,924.46	RMB8,134,055	
Date of full settlement of consideration for initial investments	As of October 9, 2015	July 2, 2019	As of September 7, 2018	July 29, 2022	May 13, 2022	August 23, 2022	August 30, 2022	October 20, 2022
Approximate shareholding in our Company immediately after the completion of the Reorganization	11.84% held by Glorious Sailing <sup>(4)</sup>	4.19% held by Lecang Crystal	4.19% held by Lecang Crystal	2.20% held by Lecang Luxuriant	9.51% held by Lecang Flourishing	1.00% held by PCW		
Approximate shareholding in our Company immediately after the completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised)	8.88% held by Glorious Sailing <sup>(4)</sup>	3.14% held by Lecang Crystal	1.65% held by Lecang Luxuriant	7.13% held by Lecang Flourishing	0.75% held by PCW			
Cost per Share paid under the [REDACTED] Investments <sup>(1)</sup>	RMB[REDACTED]	RMB[REDACTED]	RMB[REDACTED]	RMB[REDACTED]	RMB[REDACTED]	RMB[REDACTED]	RMB[REDACTED]	
Discount to the [REDACTED] of the indicative [REDACTED] range <sup>(2)</sup>	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%	



**HISTORY, REORGANIZATION AND CORPORATE STRUCTURE**

	Employees' [REDACTED] Investment <sup>(5)</sup>	Ms. Liu Lin's Investment <sup>(6)</sup>	Ms. Wang Wang's Investment <sup>(7)</sup>	Ms. Liu's Investment <sup>(8)</sup>	PCW's Investment <sup>(9)</sup>
[REDACTED]	For general working capital needs of the Group. As of the Latest Practicable Date, we had utilized all net proceeds from the Qingdao Boan Investment.	N/A	N/A	N/A	For general working capital needs of the Group. As of the Latest Practicable Date, we had not utilized any [REDACTED] from the PCW's Investment.
Special rights					
[REDACTED]	Save for (1) Ms. Liu, together with Spring Wealth and Lecang Flourishing, are subject to the restriction on disposal of Shares as Controlling Shareholders pursuant to Rule 10.07 of the Listing Rules (For further details, see “[REDACTED]—Undertakings to the Stock Exchange pursuant to the Listing Rules—By our Controlling Shareholders”); and (2) each of PCW and the Employee [REDACTED] Investors has agreed that if/he/she will not, at any time prior to the end of six months following the [REDACTED], dispose any Shares directly or indirectly held by it/him/her, none of the other [REDACTED] Investors is subject to any [REDACTED] restriction				

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

	Employees' [REDACTED] Investment <sup>(5)</sup>	Ms. Liu Lin's Investment <sup>(6)</sup>	Ms. Wang Wang's Investment <sup>(7)</sup>	Ms. Liu's Investment <sup>(8)</sup>	PCW's Investment <sup>(9)</sup>
<b>Strategic benefits of the [REDACTED] Investments</b>	Our Directors were of the view that the investments by our Employee [REDACTED] Investors demonstrated their confidence in the operation and prospects of our Group and served as endorsements to our long-term sustainable development. In addition, our Group can benefit from the motivation generated to optimize the performance efficiency of the Employee [REDACTED] Investors by giving them opportunity to participate in the equity investment in our Company.	Our Directors were of the view that the investments from Ms. Liu Lin and Ms. Wang Wang demonstrated their confidence in the operation and prospects of our Group and served as their respective endorsement to our Group's performance, strengths and long-term sustainable development.		Our Directors were of the view that the investment from Ms. Liu demonstrated her confidence in the operation and prospects of our Group which is under Mr. Xu's leadership.	Our Directors were of the view that (i) our Group would benefit from the additional capital provided by PCW for our development and daily operations, as well as Mr. Wang Cheng's knowledge and experience in finance and accounting; and (ii) the PCW's Investment has broadened our shareholder base and demonstrated the Mr. Wang's confidence in the development capacities and prospects of our Group.

*Notes:*

- (1) The approximate cost per Share is calculated based on the amount of consideration paid by each [REDACTED] Investor in the initial investment divided by the number of Shares to be held by it/him/her upon [REDACTED] (assuming the [REDACTED] is not exercised).
- (2) The discount to the [REDACTED] is calculated based on the assumption that the [REDACTED] is HK\$[REDACTED] per [REDACTED], being the [REDACTED] of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED].
- (3) Mr. Sun Zhenlin (our existing employee) acquired 0.20% partnership interest in Qingdao Boan from his spouse in December 2021.
- (4) For the purpose of reflecting the then indirect shareholding of Shandong Lcang held by the Employees [REDACTED] Investors through Qingdao Boan before the Reorganization at the offshore level, Glorious Sailing (our Shareholder) subscribed for 5,042,100 Shares, representing approximately 11.84% of the total issued Shares of our Company immediately after the completion of the Reorganization. Glorious Sailing was owned as to approximately 79.53% by Mr. Xu, 4.96% by Ms. Zhu Jiali (朱佳麗) (our executive Director), 3.97% by Mr. Zhang Feng (張峰) (our senior management member), 0.50% by Ms. Ding Sujun (丁素君) (our joint company secretary), 4.96% by Ms. Zhang Xiaojing (張曉靜), 2.08% by Mr. Feng Wenxiang (馮文祥), 1.49% by Mr. Fu Kai (符愷), 1.10% by Ms. Sun Yao (孫瑤), 0.49% by Mr. Ji Chunfeng (吉春峰), 0.34% by Mr. Zeng Xiangdi (曾祥蒂), 0.20% by Mr. Liu Zhenfei (劉振飛), 0.20% by Mr. Sun Zhenlin (孫振林), 0.10% by Ms. Yu Lan (于蘭) and 0.10% by Ms. Shao Jingwen (邵景文).

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (5) Initial investments of the Employees’ [REDACTED] Investment included several rounds of acquisitions of partnership interest in Qingdao Boan by the Employee [REDACTED] Investors on July 26, 2015, July 1, 2017 and July 10, 2018 respectively. Qingdao Boan was a then shareholder of Shandong Lcang prior to the Reorganization and is controlled by Mr. Xu. For further details of Qingdao Boan, see “—Our Corporate Developments—Major shareholding changes of our Company and our principal operating subsidiaries— Shandong Lcang.” Consideration was determined after arm’s length negotiation among the parties with reference to the partnership interest in Qingdao Boan held by the Employee [REDACTED] Investors and the then equity interest in Shandong Lcang held by Qingdao Boan.
- (6) Initial investments of Ms. Liu Lin’s Investment included the acquisition of approximately 3.94% of the total issued shares of Shandong Lcang from Mr. Qiu Ronghao (a former shareholder of Shandong Lcang and an Independent Third Party) at a consideration of RMB9,409,120, which was determined after arm’s length negotiations among the parties with reference to the then consideration paid by Mr. Qiu Ronghao for acquiring shares of Shandong Lcang through quotation and trading on the NEEQ and the acquisition of approximately 0.25% of the equity interest in Lcang Technology from Mr. Dai Suohong at a consideration of RMB2,455, which was determined after arm’s length negotiation between the parties with reference to the paid-up registered capital of Lcang Technology prior to such transfer. Mr. Dai Suohong is a former shareholder of Shandong Lcang and an Independent Third Party and owned 104,641 shares, representing approximately 0.25% of the total issued shares of Shandong Lcang prior to the Reorganization.
- (7) Initial investments of Ms. Wang Wang’s Investment represented the acquisition of approximately 2.20% of the total issued shares of Shandong Lcang from Wang’s Bee Garden at a consideration of RMB10,125,000, which was determined after arm’s length negotiation between the parties with reference to the average closing price of 20 consecutive trading days of Shandong Lcang immediately preceding to March 9, 2022 (being the date of which the board of directors of Shandong Lcang approved the proposal of voluntary cessation of quotation on the NEEQ). Wang’s Bee Garden is a former shareholder of Shandong Lcang and an Independent Third Party.
- (8) Initial investments of Ms. Liu’s Investment included the transfer of approximately 4.90% of the total issued shares of Shandong Lcang from Mr. Xu and the transfer of 15% of equity interest in Qingdao Jiliang from Mr. Xu, consideration of which was determined after arm’s length negotiation between the parties with reference to the net book value of Shandong Lcang as of March 31, 2022. Qingdao Jiliang was a then shareholder of Shandong Lcang prior to the Reorganization and is controlled by Mr. Xu.
- (9) Initial investments of PCW’s Investment included the acquisition of approximately 0.0002% of the total issued shares of Shandong Lcang from Mr. Xu at a consideration of RMB1,247 (or the equivalent amount in US dollars), which was determined through arm’s length negotiation between the parties with reference to the average closing price for 20 consecutive trading days of Shandong Lcang immediately preceding to March 9, 2022 (being the date of which the board of directors of Shandong Lcang approved the proposal of voluntary cessation of quotation on the NEEQ) and 1.00% of capital contribution in Lcang Enterprise Management by PCW (HK) at a consideration of RMB8,132,808 (or the equivalent amount in US dollars), which was determined through arm’s length negotiation between the parties with reference to the total net asset value of Lcang Enterprise Management as of August 31, 2022 as appraised by an independent professional valuer.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### Information Relating to Our [REDACTED] Investors

The background information of our [REDACTED] Investors is set out below:

<b>[REDACTED]</b>	
<b>Investor</b>	<b>Background</b>
Ms. Zhu Jiali	Ms. Zhu Jiali is our executive Director and chief financial officer, who joined our Group in November 2004. For further details of biographical information of Ms. Zhu, see “Directors and Senior Management.”
Ms. Zhang Xiaojing	Ms. Zhang Xiaojing joined our Group in November 2004 and successively served as a manager of the commercial department at Shandong Lcang and a manager of the marketing department at Qingdao Boya. She has been serving as a chief officer of marketing department (short-sea seaborne transportation) at BAL Container Line since May 2020, where she has been primarily responsible for overseeing short-sea seaborne transportation operation, tariff management, cabin allocation as well as domestic and overseas customer management. Save for being an employee of our Group, Ms. Zhang is an Independent Third Party.
Mr. Fu Kai	Mr. Fu Kai joined our Group in October 2011 and has been serving as a manager of logistics sales department at Shanghai branch of Shandong Lcang since October 2011, where he has been primarily responsible for overseeing our carrier owned container cross-border logistics business. Save for being an employee of our Group, Mr. Fu is an Independent Third Party.
Mr. Feng Wenxiang	Mr. Feng Wenxiang joined our Group in November 2004 and served as a manager of technique department at Shandong Lcang. He has been serving as a deputy manager of vessel operation department at Shandong Lcang since March 2022, where he has been primarily responsible for vessel management. Save for being an employee of our Group, Mr. Feng is an Independent Third Party.
Ms. Sun Yao	Ms. Sun Yao joined our Group in July 2011 and has been serving as a manager of container management department at Shandong Lcang since March 2022, where she has been primarily responsible for container management. Save for being an employee of our Group, Ms. Sun is an Independent Third Party.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

[REDACTED]

<u>Investor</u>	<u>Background</u>
Mr. Ji Chunfeng	Mr. Ji Chunfeng joined our Group in November 2004 and served as a site manager at Shandong Lcang. He has been serving as a technician of container management department at BAL Container Line since July 2015, where he has been primarily responsible for overall on-site management, inspection of containers, maintenance and container temperature monitoring of Huangdao site (黃島場地) in Qingdao, the PRC. Save for being an employee of our Group, Mr. Ji is an Independent Third Party.
Mr. Zhang Feng	Mr. Zhang Feng is our vice president and joined our Group in June 2017. For further details of biographical information of Mr. Zhang, see “Directors and Senior Management.”
Ms. Ding Sujun	Ms. Ding Sujun is our joint company secretary, who joined our Group in July 2017. For further details of biographical information of Ms. Ding, see “Directors and Senior Management.”
Mr. Zeng Xiangdi	Mr. Zeng Xiangdi joined our Group in February 2017 and has been serving as a salesperson of logistics sales department at Ningbo Boya where he has been primarily responsible for marketing promotion of our superior routes and logistics chain related products and business documentary (including quotation, delivery and collection of payment). Save for being an employee of our Group, Mr. Zeng is an Independent Third Party.
Mr. Liu Zhenfei	Mr. Liu Zhenfei joined our Group in January 2014 and served as a sales manager at Shandong Lcang, where he was primarily responsible for merchandising and overall management of sales. He has been serving as a manager of logistics sales department at Qingdao branch of Shanghai Hanyun since September 2019, where he has been primarily responsible for merchandising and overall management of sales and marketing in Qingdao branch of Shanghai Hanyun. Save for being an employee of our Group, Mr. Liu is an Independent Third Party.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

[REDACTED]

<u>Investor</u>	<u>Background</u>
Ms. Shao Jingwen	Ms. Shao Jingwen joined our Group in January 2016 and has been serving as a head of commercial department (short-sea seaborne transportation) at BAL Container Line since December 2021, where she has been primarily responsible for communication with destination port agents, assistance with solving emergencies of our short-sea seaborne transportation, processing and collating of business data and profit evaluation of vessels. Save for being an employee of our Group, Ms. Shao is an Independent Third Party.
Ms. Yu Lan	Ms. Yu Lan joined our Group in August 2016 and has been serving as a senior financial officer of financial department at Shandong Lcang since September 2022, where she has been primarily responsible for the financial matters of BAL Container Line. Save for being an employee of our Group, Ms. Yu is an Independent Third Party.
Mr. Sun Zhenlin	Mr. Sun Zhenlin joined our Group in June 2021 and has been serving as a manager of information technology department at Shandong Lcang, where he has been primarily responsible for management of the technical research and development team and informatization construction of our Group. Save for being an employee of our Group, Mr. Sun is an Independent Third Party.
Ms. Liu Lin	Ms. Liu Lin is the spouse of Mr. Zhu Junchen (朱駿晨) (a director of Shanghai Sijin (a non-wholly owned subsidiary of our Company) and a director of Zhangjiagang Lechang (a non-wholly owned subsidiary of our Company)). Ms. Liu has over seven years of experience in investing companies listed on Shanghai Stock Exchange and Shenzhen Stock Exchange through open market transactions. Her personal investments portfolio range across different industries including technology, consumer and high-end manufacturing industries. For further details of the investments made by Ms. Liu Lin, see “—Reorganization.”
Ms. Wang Wang	Ms. Wang Wang is the second largest shareholder of Jiangxi Wang’s Bee Garden Co., Ltd. (江西汪氏蜜蜂園有限公司) (“ <b>Wang’s Bee Garden</b> ”) and the daughter of the controlling shareholder of Wang’s Bee Garden. She has an investment portfolio covering bee-keeping, pharmaceutical and commercial industries. Each of Ms. Wang and Wang’s Bee Garden is an Independent Third Party. We became acquainted with Ms. Wang through introduction of Wang’s Bee Garden, a former shareholder of Shandong Lcang. For further details of the investment made by Ms. Wang Wang, see “—Reorganization.”

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

[REDACTED]

**Investor**

**Background**

Ms. Liu

Ms Liu is the mother of Ms. Li and the mother-in-law of Mr. Xu. From September 1978 to April 2005, she served as a salesperson at the supply and marketing cooperatives of neighborhood committee (居委會供銷社) at Changlai town, Lechang city, Guangdong province of the PRC and had been retired since April 2005.

PCW

PCW is an investment holding company incorporated in the BVI with limited liability and is wholly owned by Mr. Wang Cheng, an Independent Third Party. Mr. Wang is an independent tax advisor and investor with extensive experience in tax consultancy and tax regulatory compliance services cross various industries gained from KPMG and EY. Through his previous professional experiences and his feasibility study and assessment, Mr. Wang became interested in the global cross-border logistics industry and developed confidence in the performance and prospect of our Group, which led to his investment in our Group. PCW invested in our Group through PCW (HK), a direct wholly-owned subsidiary of PCW Investment, which is in turn directly wholly-owned by PCW. For further details of the investments made by PCW, see “—Reorganization.” Each of PCW and Mr. Wang is an Independent Third Party, we became acquainted with Mr. Wang through the introduction of Mr. Xu (our Controlling Shareholder). Mr. Xu and Mr. Wang were classmates in secondary school in Qingdao, the PRC.

[REDACTED]

Glorious Sailing is owned as to approximately 79.53% by Mr. Xu and 20.47% by the Employee [REDACTED] Investors and is therefore a core connected person of our Company. Ms. Liu Lin is the spouse of Mr. Zhu Junchen, a director of Shanghai Sijin (a non-wholly owned subsidiary of our Company) and a director of Zhangjiagang Lechang (a non-wholly owned subsidiary of our Company) and therefore a core connected person of our Company. Ms. Liu is one of our ultimate Controlling Shareholders. Accordingly, Shares held by Glorious Sailing (through which the Employee [REDACTED] Investors are interested in our Shares), Lecang Crystal (which is wholly owned by Ms. Liu Lin) and Lecang Flourishing (which is wholly owned by Ms. Liu) will not be counted towards the [REDACTED] after the [REDACTED].



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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As Ms. Wang Wang and Mr. Wang Cheng are not core connected persons of our Company and Ms. Wang Wang’s Investment and PCW’s Investment are not financed directly or indirectly by any core connected persons of our Company, Shares held by each of Lecang Luxuriant (which is wholly owned by Ms. Wang Wang) and PCW (which is wholly owned by Mr. Wang Cheng) will be counted towards the [REDACTED] after the [REDACTED].

Immediately after the completion of the [REDACTED] and the [REDACTED] and assuming the [REDACTED] or any options which may be granted under the [REDACTED] Share Scheme is not exercised, an aggregate of approximately [REDACTED]% of the issued Shares (comprising approximately [REDACTED]% of the issued Shares held by existing Shareholders (including Power Bright, Lecang Liberty, Lecang Vast Galaxy, Lecang Champion, Wind Blue, Lecang Luxuriant, Lecang Soar and PCW) and approximately [REDACTED]% of the issued Shares held by public Shareholders who will [REDACTED] for our Shares in the [REDACTED]) will be counted towards the [REDACTED] upon [REDACTED].

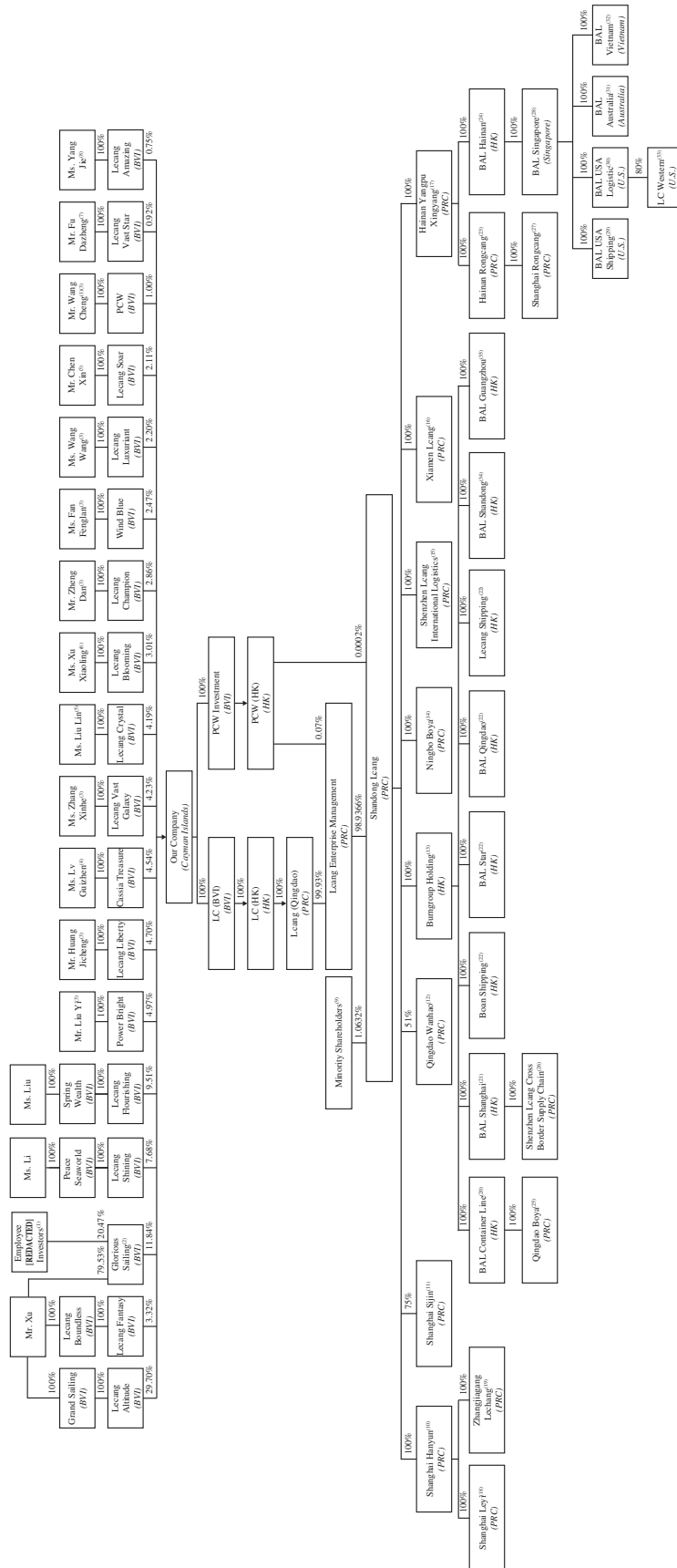
### Compliance with Interim Guidance and Guidance Letters

On the basis that, as confirmed by our Directors, (i) the [REDACTED], being the first day of [REDACTED] of our Shares on the Stock Exchange, will take place no earlier than 120 clear days after completion of the [REDACTED] Investments; and (ii) no special rights were granted to [REDACTED] Investors in connection with its [REDACTED] Investments, the Joint Sponsors are of the view that each of the [REDACTED] Investments is in compliance with the Interim Guidance on [REDACTED] Investments issued by the Stock Exchange, and the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange. The Guidance Letter HKEx-GL44-12 issued by the Stock Exchange is not applicable to the [REDACTED] Investments as no convertible instrument was issued.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### CORPORATE STRUCTURE IMMEDIATELY AFTER THE COMPLETION OF THE REORGANIZATION AND THE [REDACTED] INVESTMENTS

The following chart sets forth the corporate structure of our Group immediately after the completion of the Reorganization and the [REDACTED] Investments, but before the completion of the [REDACTED]:



## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

*Notes:*

1. See “—Information relating to our [REDACTED] Investors” to this section above for the detailed background information of each of the [REDACTED] Investors.
2. Glorious Sailing is owned as to approximately 79.53% by Mr. Xu (our ultimate Controlling Shareholder and executive Director), 4.96% by Ms. Zhu Jiali (our executive Director), 3.97% by Mr. Zhang Feng (our senior management member), 0.50% by Ms. Ding Sujun (our joint company secretary) and 11.04% by other 10 existing employees of the Group, each of whom is an Independent Third Party save for being an employee of our Group.
3. Each of Mr. Liu Yi, Mr. Huang Jicheng, Ms. Zhang Xinhe, Mr. Zheng Dan, Ms. Fan Fenglan, Ms. Wang Wang, Mr. Chen Xin and Mr. Wang Cheng is an Independent Third Party. Accordingly, the Shares held by each of Power Bright, Lecang Liberty, Lecang Vast Galaxy, Lecang Champion, Wind Blue, Lecang Luxuriant, Lecang Soar and PCW will be counted towards the [REDACTED] upon [REDACTED].
4. Ms. Lv is Mr. Xu’s mother and Ms. Li’s mother-in-law.
5. Ms. Liu Lin is the spouse of Mr. Zhu Junchen (a director of Shanghai Sijin, a non-wholly owned subsidiary of our Company).
6. Ms. Xu Xiaoling is Mr. Xu’s sister.
7. Mr. Fu Dazheng is a substantial shareholder and a director of Shanghai Sijin, a non-wholly owned subsidiary of our Company.
8. Ms. Yang Jie is the spouse of Mr. Hong Yan (a substantial shareholder and a director of Shanghai Sijin, a non-wholly-owned subsidiary of our Company).
9. Minority Shareholders refer to 40 shareholders of Shandong Lcang, each of whom is an Independent Third Party save for Mr. Zhao Chengbin (趙成斌) who is uncle-in-law of Ms. Zhu Jiali (our executive Director) and held less than 0.5% of the total issued shares of Shandong Lcang as of the Latest Practicable Date.
10. Shanghai Hanyun is principally engaged in the provision of cross-border logistics services.
11. Shanghai Sijin is principally engaged in the provision of cross-border logistics services.
12. Qingdao Wanhao is principally engaged in the provision of vessel management, marketing and operational support services. As of the Latest Practicable Date, Qingdao Wanhao was owned as to 51% by Shandong Lcang and 49% by Qingdao Hongyi Enterprise Management Partnership (Limited Partnership) (青島弘毅企業管理合夥企業(有限合夥)), which was in turn controlled by Yang Jisheng (楊積生) and Chen Shuyi (陳姝亦), each being an Independent Third Party.
13. Burngroup Holding is an investment holding company of certain subsidiaries of our Company conducting cross border seaborne transportation operations and vessel chartering business.
14. Ningbo Boya is principally engaged in the provision of cross-border logistics services.
15. Shenzhen Lcang International Logistics is principally engaged in the provision of cross-border logistics services.
16. Xiamen Lcang is principally engaged in the provision of cross-border logistics services.
17. Hainan Yangpu Xinyang has not carried out business since its establishment.
18. Shanghai Leyi is principally engaged in road cargo transportation business.
19. Zhangjiagang Lechang has not carried out business since its establishment.
20. BAL Container Line is principally engaged in the provision of cross-border transportation services.
21. BAL Shanghai is principally engaged in vessel operation and chartering business.
22. Each of Boan Shipping, BAL Star, BAL Qingdao and Lecang Shipping is principally engaged in vessel chartering business.
23. Hainan Rongcang has not commenced business since its establishment.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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24. BAL Hainan has not carried out business since its establishment.
25. Qingdao Boya is principally engaged in the provision of cross-border logistics services.
26. Shenzhen Lcang Cross Border Supply Chain is principally engaged in cross-border logistics business.
27. Shanghai Rongcang has not commenced business since its establishment.
28. BAL Singapore is an investment holding company of our Company.
29. BAL USA Shipping is principally engaged in providing customer service in the U.S.
30. BAL USA Logistic is principally engaged in the provision of bill of lading handling and destination port agency services.
31. BAL Australia has not carried out business operation since its incorporation.
32. BAL Vietnam has not carried out business operation since its incorporation.
33. LC Western is principally engaged in providing warehousing services. As of the Latest Practicable Date, LC Western was owned as to 80% by BAL USA Logistic and 20% by Western Post (USA) Inc..
34. BAL Shandong has not carried out business since its incorporation.
35. BAL Guangzhou has not carried out business since its incorporation.
36. Shareholding percentages may not add up to 100% due to rounding.

### INCREASE IN AUTHORIZED SHARE CAPITAL

On [●], 2023, our authorized share capital was increased from US\$50,000 to US\$[REDACTED] by the creation of additional [REDACTED] Shares, and following such increase, the authorized share capital of our Company was US\$[REDACTED] divided into [REDACTED] Shares of US\$0.0001 each.

[REDACTED]

Pursuant to the written resolution of our Shareholders passed on [●], 2023, conditional on the share premium account of our Company being credited as a result of the [REDACTED], our Directors are authorized to [REDACTED] an amount of US\$[REDACTED] standing to the credit of the share premium account of our Company by applying such sum of towards the paying up in full at par a total of [REDACTED] Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company on the date of passing such resolutions in proportion (as near as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholding in our Company.



## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

*Notes:*

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3. Each of Mr. Liu Yi, Mr. Huang Jicheng, Ms. Zhang Xinhe, Mr. Zheng Dan, Ms. Fan Fenglan, Ms. Wang Wang, Mr. Chen Xin and Mr. Wang Cheng is an Independent Third Party. Accordingly, the Shares held by each of Power Bright, Lecang Liberty, Lecang Vast Galaxy, Lecang Champion, Wind Blue, Lecang Luxuriant, Lecang Soar and PCW will be counted towards the [REDACTED] upon [REDACTED].
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13. Burngroup Holding is an investment holding company of certain subsidiaries of our Company conducting cross border seaborne transportation operations and vessel chartering business.
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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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27. Shanghai Rongcang has not commenced business since its establishment.
28. BAL Singapore is an investment holding company of our Company.
29. BAL USA Shipping is principally engaged in providing customer service in the U.S.
30. BAL USA Logistic is principally engaged in the provision of bill of lading handling and destination port agency services.
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34. BAL Shandong has not carried out business since its incorporation.
35. BAL Guangzhou has not carried out business since its incorporation.
36. Shareholding percentages may not add up to 100% due to rounding.

### PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisors have confirmed that all the equity transfers and increases in registered capital in respect of the PRC companies in our Group as described above had been properly and legally completed and settled and we have obtained all necessary government approvals and permits and the government procedures involved are in accordance with the applicable PRC laws and regulations. Our PRC Legal Advisors have also confirmed that we have obtained all necessary approvals from relevant PRC regulatory authorities required for the implementation of the Reorganization.

### M&A Rules

Pursuant to the Provisions on M&A of a Domestic Enterprise by Foreign Investors (《關於外國投資者併購境內企業的規定》) (hereinafter referred to as the “**Provisions on M&A**”) jointly promulgated by the Ministry of Commerce and other departments under the State Council on August 8, 2006 and came into force on September 8, 2006, and recently amended and implemented by the Ministry of Commerce on June 22, 2009, foreign investors’ purchase of equity interest from shareholders of domestic enterprises with no foreign investment (hereinafter referred to as “**Domestic Companies**” and each a “**Domestic Company**”) or the subscription to the increased registered capital of Domestic Companies by foreign investors resulting Domestic Companies changing into a foreign investment enterprise; or foreign investors’ purchase of assets of Domestic Companies by agreement and operation of such assets through foreign investment enterprises established by foreign investors, or foreign investors’ purchase of assets of Domestic Companies by agreement shall comply with the PRC laws and regulations. The approval from the Ministry of Commerce is required to be obtained in certain circumstances, including but not limited to (1) a PRC individual or a PRC enterprise



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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acquires its affiliated PRC Domestic Company through a foreign company controlled by such individual or enterprise; (2) a foreign investor acquires a PRC Domestic Company at the consideration of equity interests from a foreign company; and (3) establishing a foreign special purpose vehicle controlled directly or indirectly by a PRC individual or PRC enterprise for the purpose of offshore listing of equity interests in a Domestic Company beneficially owned by such PRC individual or PRC enterprise. Moreover, offshore listing of shares of a special purpose vehicle is subject to CSRC approval under Provisions on M&A.

Given that (1) the CSRC currently has not issued any definitive rule or interpretation concerning whether the proposed [REDACTED] is subject to the Provisions on M&A; (2) PCW (HK) had no affiliation with the Group prior to making a capital injection into Lcang Enterprise Management on September 27, 2022, and such investment was in compliance with the requirements under the PRC laws and regulations; and (3) Lcang Enterprise Management was a foreign investment enterprise when Lcang (Qingdao) made a capital injection into and acquired equity interests in Lcang Enterprise Management, therefore the [REDACTED] does not require approval from the Ministry of Commerce and the CSRC. However, there remain uncertainties in respect of the interpretation or implementation of the Provisions on M&A and whether the CSRC or other relevant government authorities will reach the same conclusion with our PRC Legal Advisors.

### SAFE Circular 37

Pursuant to the Circular of the State Administration of Foreign Exchange on Relevant Issues Concerning Foreign Exchange Administration on Domestic Residents’ Overseas Investment, Financing and Round-Trip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “SAFE Circular 37”) promulgated and implemented by SAFE on July 4, 2014, a special purpose vehicle refers to an overseas enterprise directly established or indirectly controlled by a domestic resident (including domestic institutions and domestic individual residents) for the purpose of investment and financing by utilizing the domestic corporate assets or interests or overseas assets or interests he/she/it legally holds. A domestic resident shall apply to the SAFE for foreign exchange registration of overseas investments before investing the domestic or overseas legal assets or interests into a special purpose vehicle. Where a domestic resident invest legally owned domestic assets or interests into a special purpose vehicle, he/she/it shall apply for registration to the local SAFE branch at the place of incorporation or where the domestic corporate assets or interests are located. Where a domestic resident invest legally owned overseas assets or interests into a special purpose vehicle, he/she/it shall apply for registration to the local SAFE branch at the place of incorporation or household registration.

Each of our ultimate Controlling Shareholders (namely, Mr. Xu, Ms. Li and Ms. Liu) and the ultimate beneficial owner(s) of our Shareholders (namely, Mr. Liu Yi, Mr. Huang Jicheng, Ms. Lv, Ms. Zhang Xinhe, Ms. Liu Lin, Ms. Xu Xiaoling, Mr. Zheng Dan, Ms. Fan Fenglan, Ms. Wang Wang, Mr. Chen Xin, Mr. Fu Dazheng, Ms. Yang Jie, Ms. Zhang Xiaojing, Ms. Zhu Jiali, Mr. Zhang Feng, Mr. Feng Wenxiang, Mr. Fu Kai, Ms. Sun Yao, Ms. Ding Sujun, Mr. Ji Chunfeng, Mr. Zeng Xiangdi, Mr. Liu Zhenfei, Mr. Sun Zhenlin, Ms. Yu Lan and Ms. Shao Jingwen) has completed their respective registration under the SAFE Circular 37 on September 29, 2022.

## BUSINESS

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### 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. With our integrated service capabilities, flexible business model and internet service system, we provide one-stop cross-border logistics solutions to customers. In the early stage of our development, we gradually set our footprints in key ports in China and established branches in cities on the east coast to carry out our cross-border logistics service business. Being customer-centric, we closely follow customer demand and industry trends to expand our business scope and geographical coverage regions.

We focus on cross-border logistics services as our primary business line, and have accumulated vessel operation-related resources and capabilities through our time charter operation to strengthen our ability to provide cross-border logistics services. Our services cover all major aspects of the cross-border logistics process, including cargo pick-up and sorting, customs clearance, cross-border seaborne transportation, warehouse transit and last-mile delivery. Cross-border seaborne transportation is the key step in the cross-border logistics process. We offer cross-border seaborne transportation services that are operated by us or provided by third parties, among which our self-operated cross-border seaborne transportation provides us with stable and reliable transportation capacity. In addition, our non-wholly owned subsidiary, BAL Container Line, launched self-operated cross-border seaborne transportation services between China and the United States in 2021.

As of December 31, 2022, we had purchased four second-hand container vessels to gain vessel operation-related resources and capabilities. In June 2022, we entered into an agreement to order two first-hand ultra large container vessels, each with a capacity of 14,700 TEUs. These vessels are able to operate on a variety of major routes given their good adaptability. Relying on our self-owned shipping assets, we can flexibly deploy vessels based on market conditions and vessel prices to improve operational efficiency. Our self-owned vessels allow us to remain flexible when freight rates and vessel charter-in price fluctuate, as well as to maintain stable shipping capabilities. Furthermore, in view of the diverse needs of our customers, we have containers with different specifications and functions to provide different transportation services. To support the warehouse transit and last-mile delivery process, we have established stable cooperative relationships with a number of overseas supply chain companies. By integrating the warehousing resources and transportation network of our partners, we are able to ensure safe cargo arrival and timely delivery.

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## BUSINESS

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

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

As our business scale and service scope continue to grow, we recorded robust financial growth during the Track Record Period. Our revenue grew from RMB781.5 million in 2020 to RMB4,195.4 million in 2021, and further to RMB4,607.9 million in 2022. In addition, our gross profit increased from RMB63.8 million in 2020 to RMB456.8 million in 2021, and further to RMB545.3 million in 2022.

### COMPETITIVE STRENGTHS

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

We are a privately owned cross-border seaborne logistics service provider in China with self-operated cross-border seaborne transportation service. 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%

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## BUSINESS

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market share in terms of revenue in 2022. With nearly 20 years of industry experience, we have accumulated collaboration resources with high quality and stable access from domestic and overseas third-party logistics service providers and enhanced our integration capabilities. We are fully capable of providing integrated cross-border logistics services.

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

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

- We have cross-border seaborne transportation operated by us to ensure the availability of stable and reliable transportation capacity at relatively low costs and to better serve the needs of cross-border logistics customers. We provide cross-border seaborne transportation operated by us covering global destinations, which mainly include the United States, Canada, Mexico, the Netherlands, Australia, Japan, Vietnam and Indonesia. With seasoned market sense and skilled expansion capability, our non-wholly owned subsidiary, BAL Container Line, launched self-operated cross-border seaborne transportation between China and the United States in 2021. Self-operated cross-border seaborne transportation allows us to flexibly adjust our resource allocation according to market trends and better grasp the opportunities brought by market changes. In 2021 and 2022, we shipped 68,244 TEUs and 100,050 TEUs of cargo through cross-border seaborne transportation operated by us, accounting for 17.9% and 28.1% of our total service volume for the respective periods. Our self-operated cross-border seaborne transportation ensures that we can continue to provide stable cross-border logistics services despite any global shipment capacity crunch.
- We have more than 15 years of experience in container transportation and management. Possessing a variety of containers with different specifications and functions, we can provide different options, such as cold storage containers, ultra-high containers and special containers, to meet the diverse and special needs of our customers. Having our own containers allows us to have better control over the utilization, maintenance and costs of the containers, and to provide containers with more stability and at competitive prices. We are also able to monitor the latest status of containers in real time and promptly respond to customers' questions about containers.

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## BUSINESS

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

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

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

Our service portfolio covers key regions of cross-border logistics, including “deep-sea” countries in North America, Latin America, Europe and Australia and “short-sea” countries in Asia. To enhance our transportation capacity, we launched self-operated cross-border seaborne transportation in 2021. We also offer cross-border seaborne transportation operated by third parties, which covers a wider range of regions through their vessel resources. In June 2022, we entered into an agreement to order two first-hand ultra large container vessels, each with a capacity of 14,700 TEUs. These vessels are able to operate on a variety of major routes given their good adaptability. Relying on our self-owned shipping assets, we can flexibly deploy vessels based on market conditions and vessel prices to improve operational efficiency. Our self-owned vessels allow us to remain flexible when freight rates and vessel charter-in price fluctuate, as well as to maintain stable shipping capabilities.

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

We have a flexible business model. We perform cross-border seaborne transportation through self-owned vessels, chartered-in vessels or in cooperation with third-party shipping carriers. We can strategically predict market trends based on market conditions and promptly allocate our transportation resources. According to customer demand, we may allocate more

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## BUSINESS

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resources to destinations of higher demand or commence transportation to new destinations if necessary. The flexible business model helps us maintain operational efficiency and stability and effectively control operational risks, which promoted our rapid and stable growth during the Track Record Period.

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

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

- **For our customers:** cross-border logistics involves a long and complex chain of steps that require close cooperation with e-commerce platforms, e-commerce sellers, consumers, transportation providers and/or customs authorities of different countries. Full coverage of shipment information during the transportation process, as well as accurate and visualized information interaction, are the prerequisites and foundations for providing customers with quality logistics services. Customers may place online orders on the internet service system and complete the entire order process online, including to acquire service fee rate and shipping schedule, book shipment, confirm shipment and bill of lading, receive shipment alert, conduct account reconciliation, download electronic invoice and monitor shipment status. Standardized online operation and visualized shipment monitoring provide customers with an accessible and convenient service experience. In addition, selected suppliers may publish their service fee rates, and customers may obtain service information in a timely manner through our internet service system and place orders online. The intelligent algorithm of our internet service system consolidates customs manifest, customs release slip and shipping schedule and tracks the status of the vessels, container yards and containers in real time. As a result, our internet service system can provide alert of abnormal shipment to improve service quality.
- **For us:** we have achieved automation, digitalization and artificial intelligence in our internet service system. In terms of operation, the internet service system has effectively enhanced our operational efficiency and achieved dynamic, intelligent, real-time and automated allocation of resources in various aspects. In terms of sales and marketing, our internet service system assists us in gaining timely insights into customer and market demands, which further help us optimize and plan service arrangement. Based on our in-depth understanding of customer demand, we can actively explore customers’ potential needs and proactively introduce suitable solutions to improve their logistics efficiency.



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

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

We completed a growing number of orders through our internet service system. The number of registered corporate users of our internet service system increased from 5,140 as of December 31, 2020 to 12,338 as of December 31, 2022. As of the Latest Practicable Date, our internet service system had a total of 12,593 registered corporate users. For the year ended December 31, 2022, more than 85.0% of our transactions in terms of order volume were completed or served by our internet service system.

We have an experienced R&D team which established our internet service system. Mr. Sun Zhenlin, head of our R&D team, is experienced in the development and maintenance of internet service systems. We have R&D centers in Qingdao, Yantai and Shanghai. As of December 31, 2022, we had a R&D team of 15 members, who are experienced in software R&D. We attach great importance to the establishment of our service and information management system, and are devoted to make continuous investments in it.

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

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



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

### **Experienced management team.**

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

- Mr. Xu Xin, our executive Director, chief executive officer, president and chairman of the Board, has over 20 years of industry experience in the global shipping and logistics industry and has profound industry understanding. Mr. Xu founded our Group in 2004. He is responsible for the Group’s strategic decisions and management. Mr. Xu majored in port and ship electrics and computer science. He also obtained an executive master of business administration (EMBA) degree from China Europe International Business School (CEIBS) in 2010. Mr. Xu is currently enrolled in the CKGSB Business Scholar Program (企業家學者項目) at Cheung Kong Graduate School of Business.
- Ms. Li Yan, our executive Director and vice president, has over 15 years of industry experience in the global shipping and logistics industry. Ms. Li has served various positions including the chairman of the board of directors in Shandong Lcang since August 2022, the deputy general manager at Shandong Lcang from 2007 to August 2022 and served as a director since 2015. She is responsible for assisting in the formulation of strategies and decision-making on operation and management of our Group. Ms. Li majored in international freight and customs clearance and obtained an executive master of business administration (EMBA) degree from CEIBS in 2018.
- Ms. Zhu Jiali, our executive Director and chief financial officer, is responsible for the overall supervision and management of the financial and accounting matters of our Group. Ms. Zhu has approximately 18 years of experience in global shipping, logistics and accounting.
- Mr. Yu Zhenrong, our executive Director, is responsible for providing strategic advice to management of our Group. Mr. Yu has over 25 years of experience in corporate consulting.

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

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

### OUR STRATEGIES

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

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

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

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

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

- **Transportation nodes.** In response to the needs of cross-border e-commerce customers, we will allocate logistics resources, including warehousing facilities, container yards and vehicle fleets, in key transportation nodes in China and overseas market through new build, mergers and acquisitions or leasing. Our goal is to ensure stability and comprehensiveness of our services and improve transportation efficiency to meet customer demand.
- **Service scope.** We plan to expand our service scope and strengthen solutions offered to e-commerce customers according to their specific characteristics, including (i) offering dedicated cross-border seaborne transportation for cross-border e-commerce customers in China, and (ii) focusing on logistics service demand for shipping medium and large-sized goods.
- **Team size.** We will continue to expand the size of our cross-border e-commerce logistics service team to provide professional and instant services to cross-border e-commerce sellers. We will continue to strengthen our cooperation with cross-border e-commerce sellers including cross-border e-commerce platforms and independent websites.
- **E-commerce ecosystem.** We plan to cooperate with other companies in the e-commerce ecosystem, including e-commerce platforms and e-payment companies. The scope of cooperation consists of: ground transportation by trucks, customs declaration, customs clearance in destination countries, as well as warehouse transit and last-mile delivery in the destination countries. We expect this cooperation can further enhance our industry insights and help us to better understand the needs of cross-border e-commerce sellers and integrate cross-border logistics resources that can meet such needs in advance. In addition, by offering logistics services for large e-commerce platforms, we will be able to obtain more orders and expand our customer base.

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

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

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

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

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

- We plan to increase the proportion of direct customers by strengthening our direct customer acquiring capabilities and increase the number of cross-border e-commerce customers. For example, we plan to cooperate with cross-border e-commerce associations and participate as title sponsors in cross-border e-commerce exhibitions in various regions. We will also cooperate with cross-border e-commerce agencies to provide supporting resources and establish mutually beneficial relationships.
- We also plan to strengthen our online marketing channels to develop customers with greater volume of shipments. For example, we plan to promote our services through key opinion leaders’ official WeChat accounts, our own official WeChat accounts and other social applications.
- Targeting emerging industries, we aim to formulate responsive solutions based on timeliness and delivery needs of these industries, and utilize our existing International Shipping Enterprise Alliance qualifications to expand in emerging industries and attract multinational enterprises.
- Furthermore, we plan to expand our services in collaboration with other companies in the cross-border logistics industry. For example, we plan to cooperate with shipping companies to jointly operate seaborne transportation.

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

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### OUR SERVICES

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

	<b>Cross-border logistics services</b>	<b>Time charter services</b>
Service scope	<p>We provide the following services, which may be provided either directly by ourselves or through third-party service providers engaged by us:</p> <ul style="list-style-type: none"><li>• Logistics solutions consultancy</li><li>• Shipping arrangement</li><li>• Ground transportation</li><li>• Warehousing before departure</li><li>• Customs clearance before departure</li><li>• Cross-border seaborne transportation</li><li>• Customs clearance after arrival</li><li>• Warehousing and other value-added services after arrival</li><li>• Last-mile delivery</li></ul>	<p>We hire out various types of container vessels under time charter</p>
Customers	<p>Freight forwarding companies and cargo owners, such as manufacturers and foreign trading companies</p>	<p>Mainly shipping carriers</p>
Revenue source	<p>Service fees</p>	<p>Charter fees</p>

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

	Year ended December 31,					
	2020		2021		2022	
	Amount	% of total	Amount	% of total	Amount	% of total
	<i>(RMB in thousands, except for percentages)</i>					
Cross-border logistics services	743,475	95.1	4,088,077	97.4	4,389,175	95.3
Time charter services	35,450	4.5	107,316	2.6	218,754	4.7
Others <sup>(1)</sup>	2,599	0.4	–	–	–	–
<b>Total</b>	<b>781,524</b>	<b>100.0</b>	<b>4,195,393</b>	<b>100.0</b>	<b>4,607,929</b>	<b>100.0</b>

*Note:*

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

### Cross-border logistics services

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

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

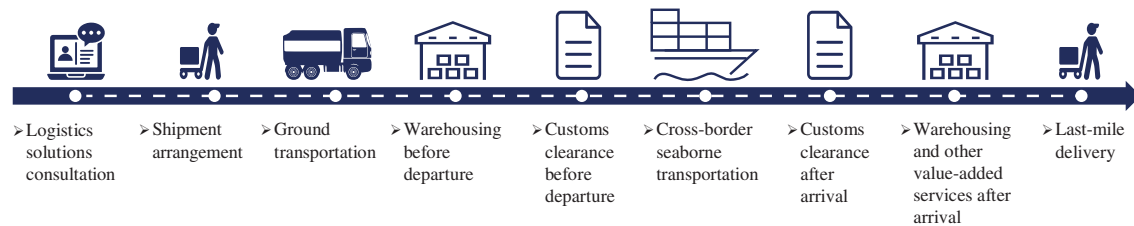
We have accumulated transportation-related resources covering the entire logistics process to ensure that our cross-border logistics services are stable and reliable. We have established long-term and stable cooperative relationships with domestic and overseas third-party service providers, including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

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

### *Our workflow and services*

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



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

- *Logistics solutions consultation.* The first step of our service is to analyze our customers’ needs, such as budget, pick-up location, destination, delivery time and nature of cargo, and then formulate logistics solutions that suit their needs. Based on the services required by our customers, we will check our availability and schedule, or liaise with the third-party shipping carriers to check their availability and schedule of their services, and provide quotations to our customers.
- *Shipping arrangement.* Once our customers accept the quotations and send us the relevant cargo documents, we will arrange shipment under our self-operated seaborne transportation service or proceed to place the booking orders with the relevant third-party shipping carriers based on shipment volume and capacity. We will confirm the bookings with our customers and send them the relevant shipment details and documents.
- *Ground transportation.* Based on the request of our customers, we can provide trucking services to deliver the cargo from our customers’ warehouses or other designated locations to the port. Alternatively, our customers may deliver the cargo to the port by their own means. Such trucking services are provided either directly by us or through third-party trucking companies engaged by us.



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- *Warehousing before departure.* If requested by our customers, we provide warehousing services to help our customers temporarily store the cargo before shipment, which gives them more flexibility to manage the schedule of the shipment. Such services are provided through third-party warehousing companies engaged by us. We consider factors including warehouse location, warehouse condition and supporting facilities to choose the most suitable warehouse for our customers.
- *Customs clearance before departure.* We provide standard customs clearance services in the origin country before departure. We engage third-party customs brokers to help us handle customs clearance.
- *Cross-border seaborne transportation.* After the customs clearance is completed in the origin country, the cargo will be loaded onto the container vessels and transported to the destination country. Under cross-border seaborne transportation operated by us, prior to arriving at the port of destination, we will send relevant instructions and details to the port operator, including the number and sizes of containers, the type of containers, the type of cargo and the details of the vessel. Seaborne transportation is carried out either directly by us or through third-party shipping carriers engaged by us.
- *Customs clearance after arrival.* We provide customs clearance services through third-party service providers after the cargo arrives at the destination country. After the customs clearance is completed, we will notify the consignee to pick up the cargo at the port if no other services are required.
- *Warehousing and other value-added services after arrival.* If requested by our customers, we provide warehousing services as well as other value-added services, including picking up, packing, tagging and labeling, in the destination country to cater to our customers' business needs. Such services are provided through third-party warehousing companies engaged by us. In the end of October 2022, BAL USA Logistic, our subsidiary, and Western Post (USA) Inc. established a joint venture in New Jersey to expand our overseas warehousing capacity and generally enhance our capability to offer value-added services.
- *Last-mile delivery.* If requested by our customers, we provide trucking services or railway transportation services in the destination country to deliver the cargo to the customers' designated locations. Such services are provided through third-party trucking or railway companies engaged by us.

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### *Network of our cross-border logistics services*

We have established a comprehensive network of cross-border logistics services. In 2021, we commenced cross-border seaborne transportation services operated by us. Our shipment capacity primarily extends to the United States, Canada, Mexico, the Netherlands, Australia, Japan, Vietnam and Indonesia. The following map shows the main destinations of cross-border seaborne transportation operated by us:



In addition to the destinations shown above, during the Track Record Period, our self-operated seaborne transportation also reached Calgary, Edmonton, Halifax, Montreal, Saskatoon, Toronto and Winnipeg in Canada, Chicago, Dallas, Detroit, Memphis, Seattle, Oakland and the port of Hueneme in the United States, San Lorenzo in Honduras and Mexico City in Mexico.

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

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

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We have a flexible business model. Our cross-border seaborne transportation, the key step of cross-border logistics, is either operated by ourselves or provided by third parties. Customers may select cross-border seaborne transportation operated by us or provided by third parties based on their shipment requirement. For services other than cross-border seaborne transportation, our operations conform to uniform standards to ensure consistent quality services. The table below sets forth a breakdown of our service volume and average price per TEU of cross-border logistics service categorized by whether cross-border seaborne transportation is operated by us or provided by third parties:

	Year ended December 31,					
	2020		2021		2022	
	Service	Average	Service	Average	Service	Average
	volume	price per	volume	price per	volume	price per
<i>TEUs</i>	<i>RMB'000</i>	<i>TEUs</i>	<i>RMB'000</i>	<i>TEUs</i>	<i>RMB'000</i>	
<b>Cross-border logistics services</b>						
– Cross-border seaborne transportation						
operated by us	–	–	68,244	28.4	100,050	26.0
Self-owned vessels	–	–	4,463	31.4	19,606	16.6
Chartered-in vessels	–	–	63,781	28.2	80,444	28.3
– Cross-border seaborne transportation						
provided by third parties	212,371	3.5	312,025	6.9	255,613	7.0
<b>Total</b>	<b>212,371</b>	<b>3.5</b>	<b>380,269</b>	<b>10.8</b>	<b>355,663</b>	<b>12.3</b>

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

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

In particular, our service volume of cross-border seaborne transportation provided by third parties increased from 212,371 TEUs in 2020 to 312,025 TEUs in 2021, primarily attributable to (i) an increase in market demand, (ii) our long-term business relationship with freight forwarders and shipping carriers that allowed us to obtain shipping resources and (iii) recruitment of staff dedicated to the orderly management and expansion of cross-border seaborne transportation provided by third parties. Furthermore, we commenced self-operated

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cross-border seaborne transportation in 2021 in response to the surging market demand. Despite limited supply in the market at the time, we were able to secure vessel resources for self-operated cross-border seaborne transportation timely by utilizing short-term charter and prioritizing delivery of vessels within Asia to improve utilization, primarily because of our long-term relationship with shipping brokers and our capability to secure such charter at a reasonable price based on our assessment to improve our competitiveness. We also have self-owned vessels to ensure vessel slots to meet the customer and market demand.

We strategically allocated more resources to self-operated cross-border seaborne transportation in 2022 and operated shipping routes with higher market demand, i.e. China-Asia and the China-Americas routes. As a result, our service volume of cross-border seaborne transportation provided by third parties decreased from 312,025 TEUs in 2021 to 255,613 TEUs in 2022, while the service volume of self-operated cross-border seaborne transportation increased from 68,244 TEUs in 2021 to 100,050 TEUs in 2022.

Our overall average price per TEU increased significantly from approximately RMB3,500 in 2020 to approximately RMB10,800 in 2021. The significant increase was primarily due to the commencement of self-operated cross-border seaborne transportation in 2021. As we further expanded the self-operated cross-border seaborne transportation service in 2022 and increased its service volume, our overall average price per TEU increased slightly from approximately RMB10,800 in 2021 to RMB12,300 in 2022.

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

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

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

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

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

	<b>Year ended December 31,</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>(RMB in thousands)</i>		
<b>Cross-border logistics services</b>			
– Cross-border seaborne transportation operated by us	–	1,938,976	2,603,050
Self-owned vessels	–	140,014	324,824
Chartered-in vessels	–	1,798,962	2,278,226
– Cross-border seaborne transportation provided by third parties	<u>743,475</u>	<u>2,149,101</u>	<u>1,786,125</u>
<b>Total</b>	<u><u>743,475</u></u>	<u><u>4,088,077</u></u>	<u><u>4,389,175</u></u>

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

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

	Year ended December 31,					
	2020		2021		2022	
	Average price per TEU		Average price per TEU		Average price per TEU	
	<i>TEUs</i>	<i>RMB'000</i>	<i>TEUs</i>	<i>RMB'000</i>	<i>TEUs</i>	<i>RMB'000</i>
<b>Cross-border seaborne transportation operated by us</b>						
China-Americas	–	–	58,751	28.4	62,082	32.9
China-Europe	–	–	6,120	28.5	–	–
China-Australia	–	–	2,904	32.5	6,761	30.4
China-Asia	–	–	469	9.2	31,207	11.4
	–	–	68,244	28.4	100,050	26.0
<b>Cross-border seaborne transportation provided by third parties</b>						
	<u>212,371</u>	3.5	<u>312,025</u>	6.9	<u>255,613</u>	7.0
<b>Total</b>	<u><u>212,371</u></u>	3.5	<u><u>380,269</u></u>	10.8	<u><u>355,663</u></u>	12.3

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

Under cross-border seaborne transportation provided by third parties, our service volume and average price per TEU both increased from 2020 to 2021. The increase was primarily due to an increase in market demand and an increase in prevailing market rate as a result of insufficient shipping capacity in cross-border logistics industry, which was caused by the COVID-19 pandemic. Our service volume of cross-border seaborne transportation provided by third parties decreased from 2021 to 2022, primarily because we concentrated our resources on self-operated cross-border seaborne transportation service. Our average price per TEU of cross-border seaborne transportation provided by third parties remained stable at approximately RMB6,900 and approximately RMB7,000 in 2021 and 2022, respectively.

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## BUSINESS

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

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

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

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

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

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

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

### *Our fleet of vessels*

As of December 31, 2022, we had a fleet of four self-owned vessels and three chartered-in vessels, among which two chartered-in vessels were operating under our cross-border logistics services. As of the same date, the total capacity of our vessels was 13,095 TEUs, among which 4,109 TEUs was from our self-owned vessels and 8,986 TEUs was from our chartered-in vessels.



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### *Capacity of our fleet of vessels*

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

	As of December 31,								
	2020			2021			2022		
	Number of vessels	Capacity TEU	% of total capacity %	Number of vessels	Capacity TEU	% of total capacity %	Number of vessels	Capacity TEU	% of total capacity %
<b>Self-owned vessels</b>									
– deployed under cross-border									
logistics services	–	–	–	2	2,324	9.2	–	–	–
– chartered out under time									
charter services	4	4,109	100.0	2	1,785	7.1	4	4,109	31.4
Subtotal	4	4,109	100.0	4	4,109	16.2	4	4,109	31.4
<b>Chartered-in vessels</b>									
– deployed under cross-border									
logistics services	–	–	–	4	19,577	77.4	2	7,368	56.3
– chartered out under time									
charter services	–	–	–	1	1,618	6.4	1	1,618	12.4
Subtotal	–	–	–	5	21,195	83.8	3	8,986	68.6
<b>Total</b>	<b>4</b>	<b>4,109</b>	<b>100.0</b>	<b>9</b>	<b>25,304</b>	<b>100.0</b>	<b>7</b>	<b>13,095</b>	<b>100.0</b>

We generally 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. In 2020, we had two self-owned vessels at the beginning of the year, and then purchased two more vessels in March and April 2020 to support our business operation. As of December 31, 2021, we had four self-owned vessels, two of which were deployed under cross-border logistics services and the other two were deployed under time charter services. As of December 31, 2022, we had four self-owned vessels, all of which were deployed under time charter services.

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### *Utilization of our self-owned vessels*

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

Our self-owned vessel	For the year ended December 31,		
	2020	2021	2022
<b>BAL BOAN</b>			
– Proportion deployed under cross-border logistics services <sup>(1)</sup>	–	–	–
– Proportion deployed under time charter services <sup>(2)</sup>	100.0%	100.0%	100.0%
<b>BOYA</b>			
– Proportion deployed under cross-border logistics services <sup>(1)</sup>	–	–	10.0%
– Proportion deployed under time charter services <sup>(2)</sup>	100.0%	100.0%	90.0%
<b>BAL PEACE</b>			
– Proportion deployed under cross-border logistics services <sup>(1)</sup>	–	76.1%	46.5%
– Proportion deployed under time charter services <sup>(2)</sup>	100.0%	23.9%	53.5%
<b>BAL STAR</b>			
– Proportion deployed under cross-border logistics services <sup>(1)</sup>	–	5.2%	76.9%
– Proportion deployed under time charter services <sup>(2)</sup>	100.0%	94.8%	23.1%

*Notes:*

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

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*Utilization of our chartered-in vessels*

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

	<b>For the year ended December 31,</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Chartered-in vessels at the beginning of the year</b>	–	–	<b>5</b>
Movement during the relevant year			
– Chartered-in vessel commenced deployment under cross-border logistics services	–	12	15
– Chartered-in vessel commenced deployment under time charter services	–	2	1
– Chartered-in vessel completed deployment under cross-border logistics services	–	8	17
– Chartered-in vessel completed deployment under time charter services	–	1	1
<b>Chartered-in vessels at the end of the year</b>	<u>–</u>	<u><b>5</b></u>	<u><b>3</b></u>

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

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For chartered-in vessels, we generally enter into charter agreements with time charter companies in order to expand our operations. Out of our three chartered-in vessels as of December 31, 2022, two was under charters within three months and the other was under charters of 3 to 12 months. We typically begin negotiations with the relevant time charter companies about renewal of the charter agreements one to two months prior to expiry, and may from time to time seek to charter alternative vessels from other time charter companies in the market based on shipment demand. We did not renew the two charter agreements expired as of the Latest Practicable Date, as we had abundant vessel resources. Subsequent to December 31, 2022, we have not chartered-in any new vessels. We are closely monitoring vessel charter-in price and aim to charter-in vessels with a reasonable price.

### *Utilization rates of our vessels*

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

	<b>For the year ended December 31,</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
Self-owned vessels <sup>(1)</sup>	78.8%	96.1%	92.5%
Chartered-in vessels <sup>(2)</sup>	–	99.5%	96.4%

#### *Notes:*

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

We did not have chartered-in vessels in 2020. As such, the relevant utilization rate was nil. The utilization rate of our self-owned vessels in 2020 was lower than that in 2021 and 2022, primarily because the gap periods between each charter were relatively longer as a result of lower demand in our time charter services in 2020. The utilization rates of our self-owned and chartered-in vessels in 2022 were also lower than those in 2021, respectively, primarily due to necessary repair and maintenance work performed on certain self-owned and chartered-in vessels in 2022.

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### *Purchase of ultra large container vessels*

In order to further improve our operational efficiency and maintain shipping capabilities, we entered into two shipbuilding agreements to order two first-hand ultra large container vessels, each with a capacity of 14,700 TEUs. The salient terms of the shipbuilding agreements are summarized as follows:

Scope of the service: Jiangnan Shipyard (Group) Co., Ltd. (the "Builder") and China Shipbuilding Trading Co., Ltd. (together with the Builder, the "Seller") shall build, launch, equip and complete a container vessel with specifications as fully described in the agreement, and sell and deliver to us such vessel after its completion and trial.

Responsibilities of the Seller: The vessel shall be constructed in accordance with the rules and regulations issued, having become effective and compulsorily applicable to the vessel up to and on the signing date of the agreement, by Lloyd's Register and in compliance with the rules and regulations as fully described in the specifications in the agreement.

Responsibilities of us: We agree to purchase and take delivery of the aforesaid vessel from the Seller at a price as stipulated in the agreement.

Registration of the vessel: The vessel shall be registered by us at our own cost and expenses at the time of delivery and acceptance thereof.

Payment: We shall pay the price for the vessel to the Seller in four instalments, with (i) the first installment of 20% of the price to be paid within three banking days after our receipt of the refund guarantee as described in the agreement, (ii) the second installment of 10% of the price to be paid on or before December 31, 2022, (iii) the third installment of 10% of the price to be paid within three banking days after keel-laying of the first section of the vessel and (iv) the fourth and last installment of 60% of the price to be paid concurrently with delivery of the vessel.

As of the Latest Practicable Date, we had paid the Seller a total of US\$84.3 million, representing two installments under the agreements, for the purchase of both vessels.

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Payment method: We shall pay the first three instalments by telegraphic transfer to the Seller in accordance with the agreement. For the fourth and last payment, we shall make an irrevocable cash deposit to the Seller at least ten days prior to the scheduled date of delivery of the vessel for a period of 30 days and covering the amount of this installment. If the delivery of the vessel is not effected on or before the expiry of the aforesaid 30-day period, we are entitled to withdraw the deposit plus accrued interest upon the expiry date. But we shall make another cash deposit in accordance with the agreement when notified of a newly scheduled delivery date.

Delivery: The vessel shall be delivered safely afloat by the Seller to us at the Builder's shipyard on or before August 30, 2025, which may be extended in accordance with the agreement.

Delivery of the vessel shall be effected forthwith by the concurrent delivery by each of the parties hereto, one to the other, of the protocol of delivery and acceptance that shall be prepared in accordance with the agreement, acknowledging delivery of the vessel by the Seller and acceptance thereof by us.

We shall take possession of the vessel immediately upon delivery and acceptance thereof, and shall remove the vessel from the premises of the Builder within seven days after delivery and acceptance thereof are effected, failure to do which shall subject us to pay the reasonable mooring charge of the vessel to the Seller.

Title and risk of the vessel: Title to and risk of the vessel shall pass to us only upon delivery as stated above. Until such delivery is effected, title to the vessel and her equipment shall remain at all times with the Seller and are at the entire risk of the Seller.

Tender: If we fail to take delivery of the vessel after completion without justified reason, the Seller shall have the right to tender the vessel for delivery.

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cancelation and rescission  
by us:

We are entitled to exercise our right of cancelation and/or rescission under and pursuant to any of the provisions of the agreement specifically permitting us to do so, and shall notify the Seller by telefax or email. Such cancelation and/or rescission shall be effective as of the date the notice thereof is received by the Seller. Thereupon the Seller shall refund us within the prescribed period the full amount of all sums paid by us to the Seller on account of the vessel in United States Dollars, unless the Seller disputes our cancelation or rescission by instituting arbitration in accordance with the agreement.

Upon such refund by the Seller to us, all obligations, duties and liabilities of the Seller towards us and all rights and claims against the Seller by us under the agreement and any applicable laws shall be forthwith completely discharged and waived. The Seller's refund to us shall constitute the sole liabilities of the Seller towards us, which is in lieu of any other remedies under and/or in connection with the agreement and any applicable laws.

These two vessels are expected to be delivered around 2025. The ultra large container vessels are well adapted and are able to operate on a variety of major routes. Relying on our self-owned shipping assets, we can flexibly deploy vessels based on market conditions and vessel prices.

### *Management of vessels*

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



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

For our chartered-in vessels, we perform a comprehensive check on vessel condition before chartering them in. We also review the vessels' past performance, as well as the capability and reputation of the ship owners. We have established long-standing relationships with well-known shipping carriers in the industry, which enables us to secure sufficient shipping capacity from various vessel resources. We closely monitor vessel charter-in price and aim to charter-in vessels with a reasonable price. We do not have a preset term for hiring in and chartering out vessels. We strategically determine the term of charter period based on market condition and charter rates. When market fluctuates, we try to set a short and flexible charter period for chartered-in vessels to avoid significant market downturn. When charter rates are at high level, we try to secure a long lease term when chartering out vessels to third parties aiming to procure stable revenue from time charter services. During transportation, we require our crew members to provide daily report covering the location, velocity, fuel consumption and other conditions of chartered-in vessels to ensure satisfactory performance.

### *Our containers*

We purchase and lease containers to fulfill demands from business operation. As of December 31, 2020, 2021 and 2022, the aggregate volume of our owned and leased containers was 2,413 TEUs, 37,438 TEUs and 25,470 TEUs, respectively. We flexibly adjust our container portfolio as we assess market conditions and container price risks. As of December 31, 2022, approximately 93% of our containers were owned by us and approximately 7% were leased from container suppliers in terms of TEU. As of December 31, 2022, our owned containers had an average age of approximately two and a half years. Our owned containers are mainly dry containers. We also have owned cold storage containers, ultra-high containers and special containers to cater to the needs of our customers. We also have a variety of leased containers, including cold storage containers and dry containers.

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

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

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

### *Our ground transportation*

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

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

### *Our pricing policy*

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

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## BUSINESS

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### **Time charter services**

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

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

### ***Our charter portfolio***

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

### ***Our pricing policy***

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

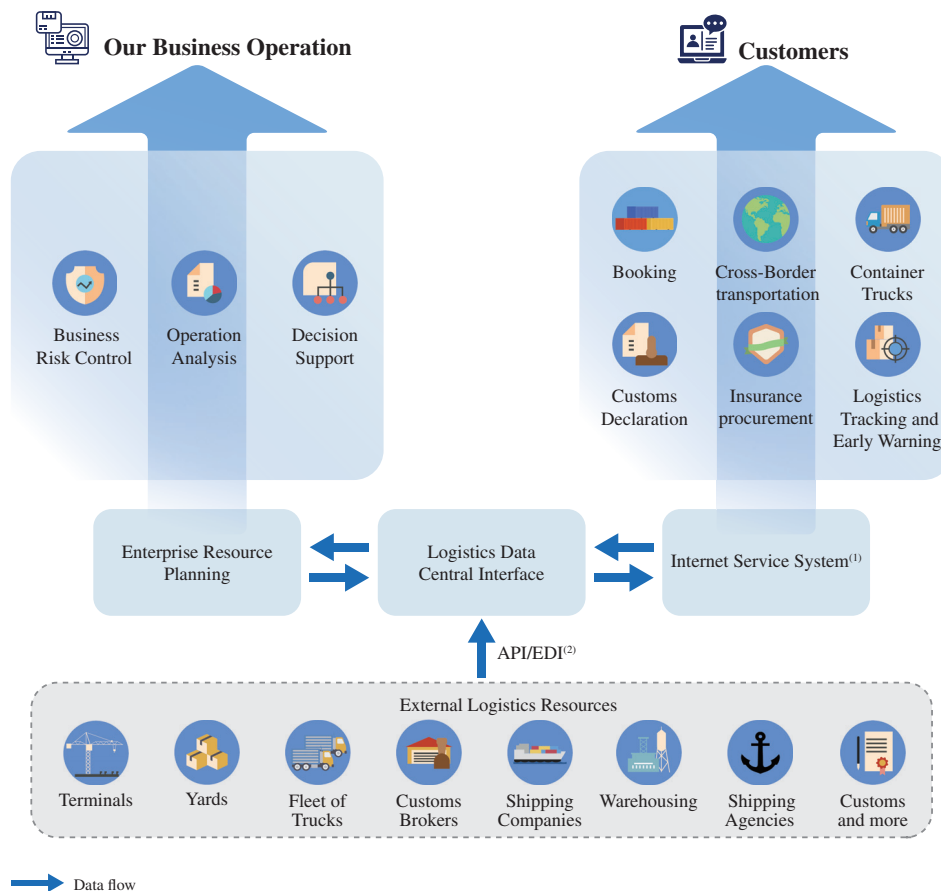
## **OUR INTERNET SERVICE SYSTEM**

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

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### Overview

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



#### Notes:

- (1) Our customers connect to our internet service system through Lcang.com (樂艙網), the website of Sijin International (絲金國際) and Lcang WeChat mini-app (樂艙微信小程序).
- (2) EDI (electronic data interchange) integrates data from external physical documents and processes the information into electronic format. API (application program interface) facilitates data flow in real time using cloud-based technology.

Our internet service system had a growing number of registered corporate users during the Track Record Period. The number of registered corporate users increased from 5,140 as of December 31, 2020 to 12,338 as of December 31, 2022. As of the Latest Practicable Date, our internet service system had 12,593 registered corporate users.

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### Operation of the Internet Service System

As a digitized system, our internet service system transforms the traditionally offline paper records and communication methods into online data for easier access and analysis. For example, documents such as bills of lading and invoices can be processed digitally. This helps us standardize our services, enhance our operational efficiency and reduce our labor costs. Through our internet service system, our customer services staff are able to communicate with our customers and respond to their enquiries timely. For the year ended December 31, 2022, more than 85.0% of our transactions in terms of order volume were completed or served by our internet service system.

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

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

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

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## BUSINESS

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

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

### IMPACT OF THE COVID-19 PANDEMIC

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

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



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

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

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



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### RECENT MARKET CHANGES AND CERTAIN MANAGEMENT ESTIMATE

#### The Management Estimate

Our main business line, cross-border logistics services, is susceptible to prevailing market conditions. From 2020 to 2021, freight rates of global cross-border logistics service increased significantly. The significant increase was primarily due to insufficient shipping capacity in cross-border logistics industry and low efficiency of port operation, resulted from the COVID-19 pandemic and the relevant restrictive measures. It was also due to the surge in demand for cross-border transportation of consumer goods from online shopping. As the impact of COVID-19 pandemic reduces, the unwinding port congestion has been releasing shipping capacity into cross-border logistics industry. Since late 2022, freight rates of global cross-border logistics services have decreased. We expect that our revenue, gross profit and net profit will experience considerable decrease in 2023 as compared to our exceptionally strong performance in 2021 and 2022.

#### Impact of the Industry Freight Rate and Shipping Volume on Our Financial Performance

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

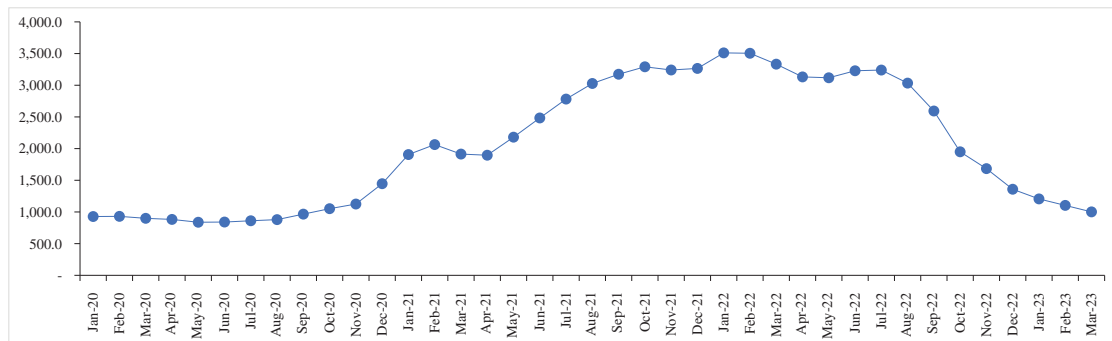
The inherently cyclical nature of the cross-border logistics service industry provides opportunities and poses risks to its market players. Examples of market opportunities associated with the cyclical nature of the cross-border logistics service industry include the heightened freight rates that cross-border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

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

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

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



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

During the Track Record Period, freight rates typically fluctuated in line with the movements in the China Average Composite Containerized Freight Index, which generally affected our financial performance. The China Average Composite Containerized Freight Index increased sharply from 970.6 in 2020 to 2,601.9 in 2021 and further to 2,807.0 in 2022, on an annual monthly average basis, and we recorded net profit for the year of RMB27.5 million, RMB392.0 million and RMB386.3 million, respectively, for the corresponding periods. Because of the COVID-19 pandemic, the global cross-border retail and e-commerce companies had an abnormally large amount of goods preparation and shipment from 2020 to 2021, resulting in unplanned disruption to the global supply chain, which in turn led to a sudden surge in demand for cross-border logistics services in 2021 as well as an increase in freight rates during the same period. The sudden surge in demand for cross-border logistics services in 2021

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and the increasing trend exhibited by the China Average Composite Containerized Freight Index during 2021 and 2022 allowed existing cross-border logistics service providers like us to capture the market opportunity and recorded an exceptionally strong financial performance during the Track Record Period, in particular for the years ended December 31, 2021 and 2022. Since late 2022, there was a decline in the China Average Composite Containerized Freight Index, which decreased significantly to 1,001.3 in March 2023 as compared to 1,913.6 and 3,332.7 in March 2021 and March 2022, respectively, on a monthly basis. Nonetheless, it was still higher than the pre-COVID level, which was 856.4 in January 2019. According to Frost & Sullivan, fluctuation in the China Average Composite Containerized Freight Index is expected to continue in 2023. While the freight rates are expected to fluctuate during the short term, they are unlikely to fall below the pre-COVID level in 2019 in the long run because of the rapid growth in the global e-commerce market, the gradual recovery and sustainable development of China’s export and import commerce as well as capacity adjustment made by shipping carriers to align with demand fluctuation, according to Frost & Sullivan. Please refer to “Industry Overview—The Market Size of Cross-border Logistics Service Market—Discussion of Shipping Volume and Freight Rates from 2023 to 2027” for further details.

Driven by the rapid growth of global e-commerce market and stable import and export activities, the shipping volume of global seaborne transportation market has remained relatively stable in recent years. According to Frost & Sullivan, the shipping volume of global seaborne transportation market is expected to maintain stable growth between 2022 and 2027 at a CAGR of approximately 3.2%. We believe that our service volume will remain sustainable in 2023. We plan to strategically develop our China-Asia and China-Americas routes, and enhance capacity at key logistics nodes (such as Los Angeles, Manzanillo, Lazaro Cardenas and Ho Chi Minh City), including setting up warehouses and container yards and purchasing trucks. In addition, we continue to seek and explore opportunities to leverage our cumulative cross-border logistics resources and integration capabilities to find new sources of revenue. Since February 2023, we have entered into import agency agreements with clients in China to provide import agency services. See “—Recent Market Changes and Certain Management Estimate—Launch of Import Agency Services and Supply Chain Solutions” in this section for details.

As a result of the above, we believe that we will remain sustainable and profitable relying on (i) the flexibility of our business model that enables us to flexibly deploy vessels and other resources based on market condition for both cross-border logistics services and time charter services, and (ii) the stability of global container shipping volume, which is expected to grow steadily from 2023 to 2027, according to Frost & Sullivan.

First, we have a flexible business model that enables us to flexibly deploy vessels and other resources based on market condition. We provide cross-border logistics services through our self-owned or chartered-in vessels, or through cooperation with third-party shipping carriers. When shipping capacity is tight, freight rates increase. Under such circumstances, we deploy our self-owned or chartered-in vessels for cross-border seaborne transportation instead of cooperating with third-party shipping carriers, to generate more revenue brought by the increased freight rates. Our chartered-in vessels are typically chartered in for a short period of time to avoid market risks, in particular freight rates fluctuation. Subsequent to December 31, 2022, we have not chartered-in any new vessels. In view of the decline of freight rates, we

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believe that vessel rental fee will drop correspondingly. Furthermore, in response to such decline in freight rates since late 2022 and the rise of market uncertainties, we have strategically increased our focus on cross-border seaborne transportation services provided by third parties and time charter services in the first quarter of 2023 while we continue to closely monitor the prevailing freight rates, proactively assess our customer demand and remain committed to resuming our self-operated cross-border seaborne transportation services in the second quarter of 2023, when our management expects the cross-border logistics service market recovers and the freight rates become relatively stable. We are closely monitoring vessel charter-in price and aim to charter-in vessels with a reasonable price. For our cooperation with third-party shipping carriers, we only engage them when customers place orders. As such, we believe that our flexible business model allows us to maintain operational stability and control market risks under cross-border logistics services. Our flexible business model also allows us to remain stable and profitable under time charter services. We charter out vessels owned by us or chartered in from third parties. We flexibly determine charter period based on our strategic prediction of market trends. For example, we chartered out our self-owned vessels in 2022 for more than one year at a fixed price when the market charter rate was high, ensuring us to retain stable revenue before the decline of charter fees.

Second, we believe that we will be able to maintain a stable shipping volume. According to Frost & Sullivan, the global e-commerce market is expected to grow at a CAGR of approximately 10.5% between 2022 and 2027. In addition, the global container shipping volume is expected to grow at a CAGR of approximately 3.2% between 2022 and 2027, according to Frost & Sullivan. We had accumulated a growing number of customers with stable business relationship during the Track Record Period. In view of the rapid growth of e-commerce industry, we will also assign additional resources to attract more e-commerce customers. Accordingly, we believe that our service volume will remain sustainable in 2023.

As a result, we expect that our revenue, gross profit and net profit will experience considerable decrease in 2023 as compared to 2021 and 2022. Please see “Risk Factors—We may not sustain our historical growth” for details.

### **Impact of Key Events in the Cross-Border Logistics Service Industry**

#### ***Impact of bunker fuel expenses on our financial performance***

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 approximately 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 our gross profit margin of our self-operated cross-border seaborne transportation from 19.1% in 2021 to 14.1% in 2022. See “Risk Factors—Changing fuel costs and interruptions of fuel supplies may reduce our profitability” for details.

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### *The U.S. Ocean Shipping Reform Act*

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

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

- (1) We communicated with the terminal operators and destination port agents in the United States, whom we have a business relationship with, upon the OSRA 2022 became effective to discuss the invoicing matters of demurrage fees and make adjustments where appropriate, making sure that all relevant invoices and fee details will meet the requirements of the OSRA 2022.
- (2) With regard to the new charging complaint procedure as stipulated in the OSRA 2022, we promptly published the details of our demurrage charges for import to the United States, the dispute resolution procedures and our contact information on our website to ensure compliance and transparency of our fee details, and standardize our dispute resolution procedures to enhance communication efficiency with customers and improve customer satisfaction.
- (3) Pursuant to the OSRA 2022 requirements on the carrier's burden of proof and detailing of invoices, we have strengthened our documentation requirements for our routes to the United States. We have also strengthened our container management system to improve data docking with terminals, yards and agents. In doing so, we make sure the data accuracy of each logistics node and the rationality and compliance of our fee charges.
- (4) We have not rejected any demand for export space from exporters in the United States and are willing to increase bookings of export cargo from the United States.

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As of the Latest Practicable Date, the OSRA 2022, as well as the measures adopted by us, did not have material adverse impact on our business operation and financial condition.

### **Launch of Import Agency Services and Supply Chain Solutions**

We continue to seek and explore opportunities to leverage our cumulative cross-border logistics resources and integration capabilities to find new sources of revenue. Supply chain solution is a natural business extension of cross-border logistics service as these two have overlapping aspects in business operations. According to Frost & Sullivan, it is not uncommon for cross-border logistics service providers to provide supply chain solutions to customers. Since February 2023, we have entered into import agency agreements with clients in China to provide import agency services, pursuant to which we are engaged to procure goods from foreign suppliers and provide logistics service to import the goods to China. As of the Latest Practicable Date, imported goods included paper products only from the United States. For each import of goods, the clients shall enter into a standalone import agency agreement with us. The salient terms of the import agency agreements are summarized as follows:

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

**Scope of services:** Pursuant to the agreements, we shall act as the import agency for our clients, who will be end purchasers of the goods to be imported. We shall execute a sales contract on behalf of our clients with the foreign suppliers to purchase and import the goods as specified in each import agency agreement, and provide import-related services to our clients during the process, including issuing a bank issued letter of credit, payment and settlement for foreign currency transactions and handling customs declaration.

**Responsibilities of our clients:** Our clients shall make sure that the goods to be imported are in compliance with the relevant legal rules and customs regulations.

If a client needs to amend a sales contract, it shall inform us in a timely manner to separately execute a supplemental agreement with the foreign supplier. Any supplemental agreement or amendment to the original sales contract signed by the client and foreign supplier alone shall be invalid, with the client bearing all losses and responsibilities arising thereof.



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- Our responsibilities: We shall provide import-related services to our clients during the import process and may designate a third party to handle certain aspects of such process, such as procedures related to customs declaration and storage.
- Ownership of imported goods: We own the imported goods and are entitled to dispose of the goods before our clients settle the total price of such goods, the import agency fee, tax and other relevant fees.
- If a client chooses to receive the goods in batches, it shall make the payment for each batch to us in advance and we will release the batches of goods upon receipt of relevant payment.
- Deposit: Before we sign a sales contract with a foreign supplier, our clients shall pay us a deposit by wire transfer, which will be 10% of the total price of the goods to be imported. Upon receipt of the deposit, we will execute the sales contract and provide a bank issued letter of credit within five working days.
- We are entitled to request an increase in the amount of deposit in writing if there is a decline in the market and/or value depreciation of Renminbi that reaches a stipulated degree.
- We rely on the provisions of Deposit and Ownership of Imported Goods to mitigate risks arising from non-payment or delay in payment from clients. If our clients do not pay us pursuant to the import agency agreements, we shall re-sell the goods to third parties and forfeit all deposit.
- Payment for imported goods: Our clients shall settle the total price of the imported goods within three days before the relevant letter of credit expires. A client shall bear the cost of interests and liquidated damages incurred due to its failure to settle the payment in time.
- Import agency fee: We charge an import agency fee calculated as an agreed-upon percentage, currently 0.6%, of the total price of the imported goods. As we just commenced our supply chain solutions in February 2023, we are intentionally limiting the types of goods imported. As we gradually expand our service scope to cover more types of goods, we aim to increase the percentage of import agency fee.



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If an import agency agreement is terminated after its execution and a letter of credit has been issued, the client shall bear relevant costs already incurred (including but not limited to the bank charges) and pay us an import agency fee calculated as another agreed-upon percentage of the total price of the imported goods.

**Tax:** Our clients shall pay us the tax or tax deposit pursuant to the national customs regulations, which we will then pay to the customs on behalf of our clients.

A client shall bear the cost of any late fees incurred due to its failure to pay the tax and other related fees in time.

**Storage of goods:** Parties shall sign a separate storage agreement with a warehouse agreed by both parties to store the imported goods. Our clients may pick up the goods by presenting our outbound order and bear the costs incurred for storage.

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

As of the Latest Practicable Date, we had signed a total of 15 import agency agreements with 3 clients, who are supply chain and international trade companies. As of the same date, four of these import agency agreements were fulfilled with an aggregate contract value of US\$0.5 million, with the remaining import agency agreements to be performed with an aggregate contract value of US\$4.1 million.

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

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new business by incorporating our seaborne transportation services as well, so that we will handle more aspects of the import process and generate synergies for both our client and us. We expect this new business will contribute to help us generate revenue and achieve profits in the future.

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

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

### OUR CUSTOMERS

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

During the Track Record Period, sales to our five largest customers in each year represented approximately 19.0%, 9.6% and 10.3% of our total revenue for the respective years, and sales to our largest customer in each year represented approximately 5.9%, 2.1%, and 2.3% of our total revenue for the respective years. We had established business relationships with our five largest customers in each year during the Track Record Period for one to eight years.

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

**For the year ended December 31, 2020**

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

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**For the year ended December 31, 2021**

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

**For the year ended December 31, 2022**

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

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

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

### *Salient terms of agreements with customers*

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

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

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Under payment against our issuance of bills of lading, our customers, or the agents acting on behalf of the consignors, typically prepay us service fee, including loading port handling charge, freight fee and other expenses associated with the transportation. Fees and expenses at the destination port, including documentation fees and port handling charges, are paid by the consignee at the destination port.

Under payment before arrival of shipment at the destination port, our customers, or the agents acting on behalf of the consignors, typically prepay the handling charge and relevant expenses at the loading port. Our service fee, freight fee and other expenses are paid by the consignee upon arrival of the shipment at the destination port.

In addition, our customers may pay us service fee on a periodical basis according to the terms of relevant agreements.

Termination:

The agreement may be terminated by mutual written consent of the parties or with written notice in advance. If one party intends to terminate the agreement by advanced notice, it shall notify the other party in writing pursuant to the relevant agreement. We did not have any material termination with customers during the Track Record Period and up to the Latest Practicable Date.

### *Sales and marketing*

Our sales and marketing staff are mainly responsible for promoting our services, communicating with our customers and handling their inquiries and orders. As of December 31, 2022, we had 72 sales and marketing staff. Substantially all of our sales and marketing staff are located in China.

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

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

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### *Payment terms*

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

### *Warranty and goods damaged in transit*

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

## OUR SUPPLIERS

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

During the Track Record Period, purchases from our five largest suppliers in each year represented approximately 43.9%, 23.8% and 27.8% of our total purchases for the respective years, and purchases from our largest supplier in each year represented approximately 18.1%, 5.5% and 8.4% of our total purchases for the respective years. We had established business relationships with our five largest suppliers in each year during the Track Record Period for one to eight years.

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

### **For the year ended December 31, 2020**

Supplier	Purchases amount (RMB'000)	Percentage of our total purchases (%)	Starting year of business relationship	Background	Major products/ services purchased
Supplier A	129,876.1	18.1	2018	A shipping agent company incorporated in Singapore.	Cross-border logistics and other services
Supplier B	63,597.1	8.9	2014	A shipping carrier established in the PRC.	Cross-border logistics and other services



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Supplier	Purchases amount (RMB'000)	Percentage of our total purchases (%)	Starting year of business relationship	Background	Major products/ services purchased
Supplier C	40,838.2	5.7	2019	An international shipping agent company established in the PRC.	Cross-border logistics and other services
Supplier D	40,648.6	5.7	2016	An international shipping agent company established in the PRC.	Cross-border logistics and other services
Supplier E	39,911.1	5.5	2018	An international shipping agent company established in the PRC.	Cross-border logistics and other services
<b>Total</b>	<b>314,871.1</b>	<b>43.9</b>			

**For the year ended December 31, 2021**

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

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### For the year ended December 31, 2022

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

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

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

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

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### *Salient terms of agreements with our suppliers*

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

Contractual period:	No fixed term or with a fixed term of one to two years, which may be automatically renewed for successive one to two years unless expressly terminated in accordance with the agreement.
Scope of services:	Seaborne transportation services, cargo sorting, customs clearance, warehousing and/or ground transportation.
Fees:	Fees are determined by scope of services, shipment arrangement, customs brokerage requirement, size of warehouse and usage time and ground transportation arrangement.
Payment method:	All payment due will be paid in accordance with the payment arrangement specified in the agreement, including payment after issuance of invoices and/or periodical payment.  Under payment after issuance of invoice, we typically pay upon receipt of invoices from our suppliers. After our payment, our suppliers will release cargo to us.  In addition, we may pay suppliers service fee on a periodical basis according to the terms of the relevant agreement.

## TRANSFER PRICING ARRANGEMENT

### **Overview**

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

### *Cross-border Logistics Services*

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

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

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2. Our subsidiary in Hong Kong BAL Container Line (“BAL”) provided cross-border seaborne transportation service. Based on customers’ request, the PRC Logistic Subsidiaries booked vessel slots from BAL and paid service fee to BAL. BAL then shipped cargo for customers based on instructions from the PRC Logistics Subsidiaries.
3. In addition, the PRC Logistics Subsidiaries offered marketing support services and operational support services to BAL, such as to attract new customers and coordinate with customers during the transportation process. In return of these services, BAL also paid service fees to PRC Logistic Subsidiaries.

### *Time Charter Services*

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

1. BAL chartered vessels from certain of our subsidiaries in Hong Kong, namely BAL Star, Boan Shipping, BAL Qingdao and Lecang Shipping (collectively, the “**Hong Kong Vessel Companies**”). BAL used vessels chartered from the Hong Kong Vessel Companies for cross-border seaborne transportation. For the chartered period, BAL paid charter fees to the Hong Kong Vessel Companies.
2. Moreover, one of our subsidiaries in China namely, Qingdao Wanhao, provided vessel management, marketing and operational support services to and charged related service fees from the Hong Kong Vessel Companies.

### *Internet Service System Arrangement*

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

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

### **Transfer Pricing Analysis**

Since we have transactions of services among the subsidiaries within our Group, we need to determine the prices of these transactions. The arrangements for such pricing determination are called transfer pricing. Pursuant to the relevant regulations in China and Hong Kong, transfer pricing arrangements must meet the requirement of arm’s length transactions. In this regard, we have engaged an independent transfer pricing consultant, Ernst & Young (China) Advisory Limited, (the “**Transfer Pricing Consultant**”), an international professional accounting firm in the PRC, to review our transfer pricing arrangements from an arm’s length compliance perspective. The Transfer Pricing Consultant reviewed our intragroup transactions to determine whether their price and profit level under our cross-border logistics services, the

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time charter services and internet service system arrangement (the “**Covered Transactions**”) fall within the price and profit benchmark of arm’s length transactions. The analysis was conducted in accordance with the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations issued by Organization for Economic Co-Operation and Development, an intergovernmental organization promulgating world trade policies (the “**OECD Transfer Pricing Guidelines**”), which is consistent with the transfer pricing regulations in China and Hong Kong.

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

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

### **Compliance**

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

- (i) we shall maintain the engagement of an external tax consultant to advise us on transfer pricing matters annually. The most appropriate transfer pricing method and price and profit level indicator should be selected according to analysis prepared by the external tax consultant. We should formulate the transfer pricing policy of the transactions through financial budgeting according to the result of the analysis;
- (ii) training will be provided to our senior management relating to updates on relevant transfer pricing laws and regulations in the relevant jurisdictions;
- (iii) our Directors and chief financial officer should review all reporting forms before submitting to the relevant tax authority;

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- (iv) our Directors and chief financial officer will make sure the transfer pricing arrangement is aligned with each party’s value contribution;
- (v) our Directors will review the terms of the material inter-company transactions and regularly monitor our transfer pricing policy to ensure the transactions are carried out on arm’s length basis; and
- (vi) our chief financial officer will document and file relevant supporting documents of value contribution of each party for risk management, including but not limited to responsibilities planning, correspondences, performance and outcome assessment of relevant work.

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

### SEASONALITY

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

### INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had 13 software copyrights, 12 registered trademarks, 1 utility model patent and 7 domain names, which are, in the opinion of our Directors, material to our business. For further details of our intellectual property rights, see “Statutory and General Information—B. Further Information about Our Business—2. Intellectual property rights of our Group” in Appendix IV to this document.

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

### PROPERTY

#### Owned properties

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

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### Leased properties

As of the Latest Practicable Date, we leased nine properties in China with an aggregated GFA of approximately 3,612.81 sq.m. located in Qingdao, Shanghai, Ningbo, Xiamen and Shenzhen, which were primarily used as office premises, and one property in the United States with an aggregated GFA of approximately 194.45 sq.m. located in Anaheim, California, which was primarily used for general office purposes.

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

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

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



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

### EMPLOYEES

As of December 31, 2022, we had a total of 366 full-time employees. Most of our employees are located in China. The table below sets forth the number of our employees with breakdown by function and by location as of December 31, 2022:

#### Function

##### *China*

Management	21
Operations and customer services	201
Sales and marketing	72
Finance and administration	53
Information technology	15

##### *Hong Kong*

Operations and customer services	2
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##### *United States*

Operations and customer services	1
Sales and marketing	1

**Total** **366**

#### Relationship with staff

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

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

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### **Training**

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

### **Remuneration and benefits**

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

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

For all of our PRC principal operating subsidiaries, we have obtained written confirmations from local social insurance and housing provident fund authorities, each stating that the relevant subsidiary or branch office (i) has properly opened its social insurance and housing provident fund account in accordance with the relevant laws and regulations; and (ii) is not subject to any significant administrative penalty. As advised by our PRC Legal Advisors, the relevant confirmations were issued by the competent authorities. As of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities

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requiring us to pay any shortfall with respect to social insurance and housing provident fund or imposing any administrative penalties on us, nor were we aware of any material employee complaints or involved in any material labor disputes with our employees with respect to social insurance and housing provident fund. In view of the above, our PRC Legal Advisors are of the view that the risk of us being penalized for the aforementioned matters is remote, and our Directors are of the view such matters will not have a material adverse impact on our business operations or financial performance.

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

## INSURANCE

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

We also maintain different types of insurance to cover potential losses on our self-owned and chartered-in vessels, which provide sufficient insurance coverage in line with the industry practice, according to Frost & Sullivan. These insurances include: (i) protection and indemnity insurance, covering loss of cargo, casualties, oil pollution, salvage of wreckage and third party liabilities; (ii) charterer comprehensive insurance, covering loss of cargo and third party liabilities; (iii) hull insurance, covering hull and machinery damage, collision liabilities and loss from fire; (iv) pirate and ransom insurance covering transportation into high-risk area; and (v) the standard loss of hire insurance. Our Directors believe that our insurance coverage is adequate and consistent with industry norm, having regard to our current operations and the standard commercial practice of the industry.

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

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### ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

Corporate social responsibility is our obligatory responsibility as a corporate citizen and a key driving factor to promote the long-term development of our Group. Therefore, we have integrated environmental, social and governance (“ESG”) matters into corporate management and operations and we are committed to complying with the ESG reporting requirements upon the [REDACTED]. Our Board has the overall responsibility for establishing and reviewing the ESG vision, strategy, policy and target of our Group, and analyzing, evaluating, and coordinating our ESG-related performance periodically. Our Board is collectively responsible for the formation and establishment of ESG-related mechanisms and policies. Our Board oversees and approves material ESG issues, identifies potential risks in the business development plan, and makes decisions based on the suggestions made. We have established an ESG governance structure and the related system. Our ESG system is supervised by the chairman of our Board. Our management is responsible for monitoring ESG risks and promoting the implementation of ESG-related work. Our management also regularly reports the situation to our Board and communicates with stakeholders on ESG matters. We have also engaged independent third-party advisors as our ESG advisor (the “ESG Advisor”) to assess our Group’s ESG risks and provide professional advices to our Board when necessary. The ESG Advisor will also provide professional ESG advice and support to our Board during its deliberations as needed. Furthermore, following the [REDACTED], we intend to recruit employees with ESG backgrounds to augment our ESG capabilities. Additionally, we will enhance ESG training programs for the directors, senior management and staff to elevate their proficiency in ESG matters. After the [REDACTED], we will gradually establish an ESG committee to be responsible for supervising and managing ESG-related risks and matters, including formulating ESG policy and strategies, monitoring ESG issues, reviewing and evaluating sustainability performance, setting metrics and targets, preparing ESG report and making recommendations to our Board. We are also planning to establish an ESG working group, comprising representatives from departments carrying various ESG functions as well as environmental and safety, human resource, supply chain related departments, to assist our Board and our ESG committee to execute the ESG strategies.

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

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### Materiality assessment

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

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

- Identify potentially material ESG issues that may affect the Group’s business or related stakeholders based on the Group’s development, Sustainability Accounting Standard Board (“SASB”) standards, peers and industry characteristics;
- Invite internal and external stakeholders to participate in materiality assessment through questionnaire surveys to express their concerns on each potentially material issue; and
- Analyze the surveys received and prioritize potential material issue.

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

### Identification, assessment and management of risks

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

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

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

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

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

<b>GHG Emissions</b>	<b>2020<sup>(1)</sup></b>	<b>2021</b>	<b>2022</b>
Scope 1 (direct emissions) <i>(tonnes CO<sub>2</sub> equivalent)</i>	7.61	140,164.88	263,411.26
Scope 2 (indirect emissions) <i>(tonnes CO<sub>2</sub> equivalent)</i>	22.66	25.75	57.22
Total GHG emissions <i>(tonnes CO<sub>2</sub> equivalent)</i>	30.27	140,190.63	263,468.48
Intensity <i>(tonnes CO<sub>2</sub> equivalent/Million RMB Revenue)</i>	0.04	33.42	57.18
 <b>Air Emissions</b>	 <b>2020<sup>(1)</sup></b>	 <b>2021</b>	 <b>2022</b>
SOx emissions (tonnes)	0.0000414	168.38	291.90
NOx emissions (tonnes)	0.000292	3,256.32	6,195.88
NMVOC emissions (tonnes) <sup>(2)</sup>	–	137.33	261.23
 <b>Wastes Emissions</b>	 <b>2020<sup>(1)</sup></b>	 <b>2021</b>	 <b>2022</b>
<i>Wastes generated from vessel operations<sup>(3)</sup></i>			
Non-hazardous wastes (m <sup>3</sup> )	98.39	112.15	77.89
Sanitary sewage (m <sup>3</sup> )	1,250.64	1,497.64	1,611.26
Hazardous wastes (m <sup>3</sup> )	0.56	0.08	3.17

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<b>Wastes Emissions</b>	<b>2020<sup>(1)</sup></b>	<b>2021</b>	<b>2022</b>
<i>Wastes generated from office operations</i>			
Non-hazardous wastes (tonnes)	5.18	8.43	12.68
Hazardous wastes (batteries, toner cartridge) (tonnes)	0.0128	0.0208	0.0312
<b>Resource Consumption</b>	<b>2020<sup>(1)</sup></b>	<b>2021</b>	<b>2022</b>
Electricity consumption by office operations (MWh)	37.15	44.31	97.81
Fuel consumption by vehicles and vessels (tonnes)	2.08	44,070.12	82,927.93
Water consumption by office operations (tonnes)	583.32	945.00	1,415.32

*Notes:*

- (1) We did not have cross-border seaborne transportation operated by us in 2020.
- (2) NMVOC emissions are produced due to vessel operation.
- (3) Wastes generated by our employees from operations of owned vessels were included.

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

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



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### Potential Risks

### Potential Impacts and Management

Physical climate risks (such as extreme weather events and global temperature increase, including acute climate risks (such as typhoons and flooding) and chronic risks (such as extreme high temperature))

Physical climate risks may cause damage to infrastructure and facilities, such as docks, cargo ships, cargo and data centres, causing an increase in maintenance and operating costs. Extreme weather may also cause a vessel to deviate from its original route, making it difficult to arrive at the docks on time, which will eventually affect the personal safety and daily operations of our Group’s employees, and even bring possible economic losses. We will pay close attention to weather forecasts and vessel conditions including various safety parameters.

The health and safety of employees may also be at risk due to climate-related issues, such as increasingly frequent extreme weather conditions. Nevertheless, economic loss and safety incidents can be minimized by strengthening emergency response protocols for acute extreme weather. We also formulate emergency plans targeting climatic extremes, and promptly notify employees and other personnel to take relevant measures to ensure their safety.

Transition climate risks (such as policy and regulatory risks)

Transition climate risks may cause policy and regulatory risks. China is intensively promulgating policies and regulations in relation to green transportation. If we fail to strengthen compliance management and promote the transformation in time, we will face with increasing regulatory pressure. We will track the latest laws and regulations on climate change and integrate them into our management strategies.

Energy management

Inefficient energy management will lead to over consumption of energy, which increases operation costs due to unnecessary energy consumption. Fuel used in our operations is the main source of our greenhouse gas emissions. Therefore, regular hull cleaning, maintenance and inspection can prevent fuel leakage so as to reduce unnecessary energy consumption. We will regularly monitor greenhouse gas emissions and ship navigation in real time for assessing the fuel consumption per unit of vessel capacity.

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

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

### Environmental Compliance Key Performance Indicators

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

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

*Note:*

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

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### Environmental, Social and Corporate Management

#### *Targets*

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

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

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

To achieve these goals, we will continuously upgrade the technical infrastructure or gradually phase out our vessels if the CII rating target cannot be reached during the period to ensure continuous decrease of our vessels’ operational carbon intensity within a defined rating level. Our initiatives include adopting energy-saving operation measures (such as hull cleaning and use of specialized hull paint to decrease drag, route optimisation to lessen fuel consumption and pollution while maintaining vessel performance), carrying out energy-saving technological transformations and using renewable energy resources other than traditional fossil energy. We expect our GHG emission in absolute terms will increase in the short to medium term as our fleet of vessels and operations continue to expand before we are able to achieve our target of transitioning into a zero emission fleet when the technology is more widely adopted and alternative fuel becomes more accessible. Our fuel oil consumption intensity and GHG emission intensity targets are as follows:

	2022	2030 Target	2040 Target	2050 Target
Fuel oil consumption per unit output (revenue) (tons of fuel/million RMB)	18.00	20% reduction from 2022	40% reduction from 2022	Achieve 90% fuel substitution
Greenhouse Gas Emissions Intensity (tons of carbon dioxide equivalent/ million RMB)	57.18	20% reduction from 2022	40% reduction from 2022	To achieve carbon neutrality

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Furthermore, we have implemented several measures to reduce emissions and exhaust gas in various aspects, such as vessels, operations, fuel oil and employees, to minimize our impact on the environment and the ocean in our daily operations, with the aim of ultimately achieving our short-, medium- and long-term targets. To achieve our short-term targets, we have engaged a third party to measure the EEXI for our vessels, ensuring that they adhere to an energy-efficiency threshold standard. We apply high-quality hull anti-fouling paint to minimize hull pollution and resistance, as and when required, and clean propellers to increase navigation efficiency from time to time. We seek to continuously improve fuel oil management by gradually switching our vessels with the appropriate technical design to use high-quality fuel oil, gradually reducing the use of mixed oil where appropriate and reducing navigation resistance through more efficient combustion. Furthermore, we plan to install desulfurization towers and shaft generators on the two 14,700 TEU vessels that we have contracted to purchase and expected to be delivered in around 2025 to remove sulfur oxides in the exhaust gas and reduce the overall operating time of fuel engines, thereby saving fuel and reducing emissions from such vessels. To achieve our middle- and long-term targets, we target to increase the maintenance of various ship equipment as appropriate, with a view to ensuring that they operate with optimal efficiency and reduce wastage of energy resources such as fuel oil, lubricating oil and other consumables. We regularly organize training related to environmental protection for our employees, especially the crew, to strengthen their environmental awareness, promote good habits of energy conservation and reduce resource consumption of our operations. We believe this will improve the efficiency of resource and energy utilization in the long term.

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

To reduce fuel emissions and achieve emission reduction goals, the Company has planned several actions while maintaining financial sustainability. Main emission reduction initiatives include the installation of desulfurization equipment and shaft generators on the two new 14,700 TEU vessels that we have contracted to purchase by 2025, with an estimated cost of RMB46.93 million for such installations. We plan to retrofit newer vessels that are methanol-ready to use methanol as fuel source after 2035, when the application of the relevant technology becomes more prevalent and economical and methanol as an alternative fuel becomes more accessible. To the best of our knowledge based on our industry understanding, we estimate the prevailing retrofit costs for each of our two new vessels will be approximately RMB195 million. We anticipate that the overall costs may reduce in the future as the relevant technology will mature further and become more widely adopted in the shipbuilding and supply industries. In addition, we believe that the current renewable methanol market is still growing and the costs of producing low-carbon methanol is still generally high. We plan to gradually phase out older vessels (particularly those with high attained EEXI and further investments on technical upgrades and retrofit would not be feasible and/or commercially sensible) before 2030. As the application of the technology on clean alternative fuels such as methanol becomes more prevalent and economical, we expect to gradually transition to zero emission vessels and achieve carbon neutrality by 2050.

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In summary, our key initiatives include the following:

1. Fleet modernization: Phasing out older ships and replacing them with newer, larger vessels with more advanced technical infrastructure capable of accommodating various environmental solutions that may become accessible in the future, to improve operational efficiency. When we acquire new vessels in the future, we will take into account our ESG targets and ensure such vessels will have the technical design and infrastructure to support our ESG initiatives. For example, the two new 14,700 TEU vessels that we have contracted to purchase are “methanol-ready,” which will enable us to retrofit such vessels to use methanol as a significantly cleaner fuel source in the future. The use of methanol as fuel significantly reduces carbon dioxide emissions. However, currently the availability of methanol as a fuel source for vessels is limited and the application of the technology is at a relatively nascent stage. We believe that methanol holds potential as a future vessel fuel to replace conventional fossil fuels. We expect that the worldwide availability and distribution of such alternative fuel in the future will help us transition to zero emission vessels in the long term. We will carefully monitor the development in this space and evaluate our options to achieve our ESG targets.
2. Economic speed strategy: Leveraging real time availability of global weather forecasts and port congestion updates and other relevant maritime intelligence, implementing a strategy of optimising route at a constant and optimal speed to reduce fuel consumption without compromising on delivery times or operational efficiency.
3. Scrubber installation: Installing scrubbers on new ships to reduce emissions and comply with environmental regulations.
4. Shaft generator installation: Installing shaft generators on new ships to provide a reliable and efficient source of electrical power, reducing fuel consumption and improving power generation efficiency. By using a shaft generator, the vessel can reduce or switch off the auxiliary engines that normally provide electricity, saving fuel and lowering greenhouse gas emissions, as well as other pollutants such as nitrogen oxides, sulfur oxides and particulate matter. This can also improve the vessel’s energy efficiency and compliance with environmental regulations and standards.

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

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

### *Environmental protection management*

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

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

We implement special management on chemicals and dangerous goods from our shipment. We will obtain approval from the competent maritime administrative authority for carrying hazardous polluting cargo according to the relevant specifications on pollution and environmental protection standards set forth by the local governments. According to our regulations on the management of chemicals and dangerous goods, if it is approved as general chemicals, the customer is required to provide the original non-dangerous guarantee letter, which will be accepted as ordinary goods. If it is approved as dangerous goods, it will be

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picked up as dangerous goods. The customer needs to send the required documents such as the dangerous goods consignment information form and the outbound dangerous goods transportation packaging identification result to the port document customer service department at least seven working days before the ship’s port call to identify the customer’s dangerous goods. After receiving the approval of dangerous goods, the customer service department of the port documents will notify the customer to book space online. We have the right to take corresponding preventive and/or disposal measures in case there are reasonable grounds to believe that the dangerous goods have endangered or may endanger other property and personal safety.

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

### *Vessel safety management*

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

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



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### *Cargo management*

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

### *Emissions and waste management*

Our Group imposes control on the discharge of offshore wastes, bans arbitrary dumping of offshore wastes and over-standard discharges. We continue to improve the environmental management system by specifying pollutant management methods, greenhouse gas control measures and emergency protocols of accidents, so as to ensure compliance with the international, PRC, and local’s laws and regulations. We have formulated the vessel pollution prevention guidance based on the Ship Board Management Manual to ensure that our anti-pollution equipment of vessels meets the requirements of the related rules and regulations. We have complied with the International Pollution Prevention Conventions that our vessels hold the following valid certificates and record: (i) International Oil Pollution Prevention Certificate (《國際防止油污證書》); (ii) International Air Pollution Prevention Certificate (《國際防止空氣污染證書》); (iii) International Sewage Pollution Prevention Certificate (《國際防止生活污水污染證書》); (iv) Shipboard Oil Pollution Emergency Plan (《船舶油污應急計劃》); (v) Garbage Management Plan (《垃圾管理計劃》); (vi) Oil Record Book (《油類記錄簿》); and (vii) Garbage Record Book (《垃圾記錄簿》). We have developed an “Oily Sewage Discharge Procedure” for our vessels, which includes equipping them with anti-pollution equipment and documentation. This includes setting up contaminated oil storage tanks, installing standard discharge fittings, and oil-water separation equipment or filtration systems. Our treated oil effluent discharge complies with standards of “Technical Regulations for Statutory Inspection of Sea-going Vessels on Domestic Navigation” issued by the Maritime Safety Administration of the People’s Republic of China, with a concentration of below 15 ppm. We have obtained the “International Oil Pollution Prevention Certificate” by installing a

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15 ppm monitoring and alarm device and successfully passing the inspection by the China Classification Society (CCS). In case of any accidental or operational oil spill, our emergency measures for oil spill lists the emergency measures, measures considered to be taken and a report to our Group for employees to adopt. Employees should record the whole process of spilling and coping actions, check spilling range, state details of other vessels or third party property affected by the spill and submit a Note of Sea Protest, and keep in touch with the Company about the immediate progress.

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

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

### *Energy management*

We aim to operate and manage electrical equipment in our office in an environmental-friendly way. We actively conserve energy to reduce the electricity consumption of our operations every year. For example, we try to use LED lighting to replace traditional fluorescent lights to reduce energy consumption in our office. We regularly inspect and

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maintain the lighting system and air-conditioning system to ensure high energy efficiency is maintained. We regularly inspect the electricity usage of the property. We will undergo immediate repairs when the related facilities fail and cause abnormal electricity usage. We also provide environmental protection training to employees to increase their awareness of energy consumption to reduce office electricity consumption.

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

### *Water resource management*

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

### *Employment management*

In respect of social responsibilities, we are committed to offering a fair and caring working environment to our employees. We have transparent policies on compensation and dismissal, equal opportunities and anti-discrimination. We have established an employee handbook to standardize the recruitment and employee promotion process, as well as clearly define the process for reporting employees' break and leave entitlements. We sign labor contracts with our employees to protect their rights and interests. We provide equal opportunities to employees and strictly prohibit any form of discrimination. We hire employees based on their merits to offer equal opportunities and fair compensations to our employees. In general, we determine employee salaries based on each employee's qualifications, experience, position and seniority. We have designed an annual review system to assess the performance

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of our employees, which forms the basis of our determinations on salary raises and promotions. We have protected the rights of female employees by realizing equal pay for equal work for men and women and have implemented leave regulations for female employees during their pregnancy and childbirth. We believe the salaries and benefits that our employees receive are competitive with market standards in each geographic location where we conduct business. In addition, we also provide employee benefits such as marriage leave, funeral leave, social insurance and housing provident fund, under the relevant provisions of the Labor Law of the People’s Republic of China (《中華人民共和國勞動法》) and Labor Contract Law of the People’s Republic of China (《中華人民共和國勞動合同法》). We also provide training programs on industry and regulatory developments to our employees. For example, we have developed a Shore Base Training Plan for employees, which training content mainly covers the use and function of hull equipment, the operation of anti-pollution equipment, life-rescuing appliances and fire equipment, regulatory requirements and the Company’s safety management system. Through the training, employees can understand more about the inspection requirements for fire protection, lifesaving, communication, hull and equipment, and the regulations of different flag countries. Also, they become more familiar with the Company’s management system and regulations, and can use the Company’s software proficiently and understand the newly effective laws and regulations.

As of December 31, 2022, we had 366 employees with details shown as follows:

<b>Employee Classification</b>	<b>Number of employees</b>
<i>By Gender</i>	
Male employee	165
Female employee	201
<i>By Age Group</i>	
Employee aged below 30	110
Employee aged 30-50	232
Employee aged above 50	24
<i>By Professional Knowledge</i>	
Under College Level	234
Bachelor’s Degree	119
Master’s Degree	13
<b>Total</b>	<b>366</b>

### ***Occupational health and employee safety management***

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

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

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

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

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

### Health and Safety Key Performance Indicators

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

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## BUSINESS

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### *Supply Chain Management*

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

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

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

### **LEGAL PROCEEDINGS AND COMPLIANCE**

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



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

### **BUSINESS ACTIVITIES WITH REGIONS SUBJECT TO INTERNATIONAL SANCTIONS**

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

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

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

As advised by our International Sanctions Legal Advisors who have performed the procedures they consider necessary, our business operations involving the Relevant Regions during the Track Record Period were not sanctionable activities under Guidance Letter HKEX-GL101-19, given that (i) the entity in Russia was not an SDN or owned by an SDN or any Sanctioned Targets, and the Group delivered the last batch of containers on February 7, 2022 and received the last payment in December 2021, both of which were before the U.S. Treasury department determined that sanctions apply to the marine sectors of the Russian Federation economy on May 31, 2022, the Group’s transactions involving Russia, as such, did not constitute any Primary or Secondary Sanctionable Activities. Based on our confirmations, except the fact that the Group’s transactions involving Russia were denominated in USD, these said transactions do not have any nexus to the United States, the European Union, the United Kingdom or Australia; and (ii) none of our customers, consignors or vessels (chartered-in and



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owned) located in the Relevant Regions were identified on the Specially Designated Nationals and Blocked Persons List maintained by OFAC. Further, given the scope of the [REDACTED] and the expected [REDACTED] as set out in this document, our International Sanctions Legal Advisors are of the view that the involvement by parties in the [REDACTED] will not implicate any applicable International Sanctions on such parties, including our Company, our potential investors, Shareholders, the Stock Exchange and its [REDACTED] and group companies, and accordingly the sanctions risk exposure to our Company, potential investors and Shareholders, and persons who might, directly or indirectly, be involved in permitting the [REDACTED], trading and clearing of our Shares (including the Stock Exchange, its [REDACTED] and related group companies) is low.

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

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

### Summary

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

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

### **Our internal control procedures**

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

- we will set up and maintain a separate bank account upon the [REDACTED], which will be designated for the sole purpose of the deposit and deployment of the [REDACTED] from the [REDACTED] or any other funds raised through the Stock Exchange;
- to further enhance our existing internal risk management functions, our Legal and Compliance Department is responsible for monitoring our exposure to sanctions risks and our implementation of the related internal control procedures. Our Legal and Compliance Department holds a meeting at least every six months to monitor our exposure to sanctions risks and to review our procedures implemented over sanctions screening;
- we evaluate the sanctions risks prior to determining whether we should embark on any business opportunities in Regions subject to International Sanctions or Sanctioned Persons. According to our internal control procedures, our Legal and Compliance Department needs to review and approve all relevant business transaction documentation from customers, consignors or potential customers or potential consignors from Regions subject to International Sanctions or Sanctioned Persons. In particular, we are in the process of setting up a screening process to identify if the potential transaction counterparty of the Group is a person or entity on the various lists of restricted parties and countries maintained by the United States, the European Union, the United Nations, the United Kingdom, the United Kingdom overseas territories or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions which lists are publicly available. The transactions that fail the internal review, regardless of whether it fails upon onboarding or during the course of transaction, will not proceed. At the same time, our Legal and Compliance Department should, semi-annually review the existing customers lists to ensure that the Group does not engage in transactions with countries, regions, entities or individuals on the sanction lists. If any potential sanctions risk or suspicious transaction is identified, we may seek advice from reputable external legal counsel with necessary expertise and experience in International Sanctions matters;

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- our Directors will continuously monitor the [REDACTED] from the [REDACTED], as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, Sanctioned Countries or Sanctioned Persons where this would be in breach of International Sanctions;
- our Legal and Compliance Department will periodically review our internal control policies and procedures with respect to sanctions matters. As and when our Legal Department considers necessary, we will retain external legal counsel with necessary expertise and experience in sanctions matters for recommendations and advice; and
- we will further engage external legal counsel to provide compliance training relating to International Sanctions to our Directors, our senior management and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations, in particular, to perform screening procedures in respect of counterparties to our Group's business to ensure none of them are Sanctioned Persons. Our external legal counsel will provide the latest list of Sanctioned Countries to our Directors, senior management and other relevant personnel, who will in turn disseminate such information internally. Specifically, our in-house counsel, is tasked with monitoring and ensuring compliance with sanctions.

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

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

## INTERNAL CONTROL AND RISK MANAGEMENT

Our Directors and senior management are responsible for the formulation of and overseeing the implementation and effectiveness of our internal control and risk management systems, which are designed to ensure our ongoing compliance with the applicable laws, regulations and rules relevant to our business operations and/or corporate governance, and to prevent any recurrence of any incidents of non-compliance. We believe that our internal control systems and current procedures are sufficient in terms of comprehensiveness, practicability and effectiveness. We will adopt or have adopted the following internal control measures:

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

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- (ii) we have appointed Dongxing Securities (Hong Kong) Company Limited as our compliance advisor with effect from the [REDACTED] to advise us on ongoing compliance with the Listing Rules and other applicable securities laws and regulations in Hong Kong;
- (iii) our Directors have attended trainings provided by our legal advisors as to Hong Kong law on the ongoing obligations, duties and responsibilities of being a director of a publicly [REDACTED] company under the Companies Ordinance and the Listing Rules;
- (iv) we have established and intend to fully implement internal control and risk management measures to prevent sanction risks arising from dealing with individuals or entities on any sanction list or shipping cargo under sanctioned categories or to sanctioned destinations. We will periodically review our internal control policies and procedures with respect to sanctions matters to ensure they are up to date. We will also arrange and provide compliance and training programs for sanctions issues to our Directors, senior management members and other relevant personnel to ensure that they keep abreast of the material developments in these issues. In addition, we will engage external legal advisors with relevant expertise and experience in sanctions matters to evaluate the sanctions risks as and when necessary, arrange the external legal advisors to discuss sanction related matters and ensure compliance with our internal policies, as well as update our risk management and internal control policies and procedures taking into account the advice and recommendations provided by the external legal advisors. We have adopted a screening procedure with respect to business counter-parties to ensure that our business transactions do not impose sanction risks on the Group. We also maintain a control list of countries/regions subject to the International Sanctions and persons and entities designated pursuant to the sanctions imposed by the Office of Foreign Asset Control of the United States, the European Union, Australia and the United Nations, which are provided and updated from time to time. If the nationality of a counterparty in a potential transaction is, or it is located in, any country subject to the International Sanctions, the relevant personnel must report to the legal staff of our Group and our Board. Our legal staff and our Board will review all relevant documentation and approve the transaction only if the Directors believe that the transaction would not subject us or our Shareholders and investors to risks of being sanctioned; and
- (v) we have established internal control and risk management policies to prevent risks arising from our new business of supply chain solutions. We require our clients to pay us a deposit in an agreed percentage before we sign a sales contract with a foreign supplier. We are also entitled to request an increase in the amount of deposit under certain circumstances. We own the title of imported goods until the total price of such goods, the import agency fee, tax and other relevant fees are paid by clients.

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In preparation for the [REDACTED], we engaged an independent internal control consultant (the "**Internal Control Consultant**") to conduct internal control reviews of our Group in June 2022. During the review process, the Internal Control Consultant identified a number of findings and recommendations, to which we have subsequently taken remedial actions in response to improve on these matters.

The Internal Control Consultant performed follow-up review between August 2022 and October 2022 and assessed the implementation of the internal control measures. Based on the independent work performed by Internal Control Consultant, the Group has implemented all major internal control measures as recommended. No material deficiency was identified during the follow-up review.

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

## LICENSES AND PERMITS

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

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

Holder	Name of license and permit	Issuing authority	Date of grant/filing	Date of expiry
Shandong Lcang	Certificate of Conformity Quality Management System Certification (質量管理體系認證證書)	Shandong Seatone International Certification Co., Ltd. (an independent registered certification service provider certified by CNAS)	June 15, 2022	June 11, 2025
Shandong Lcang	NVOCC (無船承運人)	Department of Transportation of Shandong Province and Qingdao Port and Navigation Administration Bureau	October 21, 2019	– <sup>(1)</sup>
Shandong Lcang	Filing of International Freight Forwarding Agent (國際貨運代理企業備案)	Qingdao Commerce Bureau	June 7, 2018	– <sup>(1)</sup>
Shandong Lcang Shanghai Branch	Filing of International Freight Forwarding Agent (國際貨運代理企業備案)	Shanghai Commerce committee	December 28, 2015	– <sup>(1)</sup>
Shandong Lcang Shanghai Branch	NVOCC (無船承運人)	Municipal Transportation Commission of Shanghai	October 23, 2020	– <sup>(1)</sup>
Shandong Lcang Ningbo Branch	NVOCC (無船承運人)	Zhejiang Transportation Bureau	October 12, 2020	– <sup>(1)</sup>
Shanghai Hanyun	Filing of International Freight Forwarding Agent (國際貨運代理企業備案)	Shanghai Commerce committee	July 23, 2019	– <sup>(1)</sup>
Shanghai Hanyun Qingdao Branch	Filing of International Freight Forwarding Agent (國際貨運代理企業備案)	Qingdao Commerce Bureau	N/A	– <sup>(1)</sup>
Shanghai Hanyun	NVOCC (無船承運人)	Municipal Transportation Commission of Shanghai	March 31, 2023	– <sup>(1)</sup>

**BUSINESS**

<b>Holder</b>	<b>Name of license and permit</b>	<b>Issuing authority</b>	<b>Date of grant/filing</b>	<b>Date of expiry</b>
Ningbo Boya	Filing of International Freight Forwarding Agent (國際貨運代理企業備案)	Ningbo Commerce Bureau	July 25, 2022	– <sup>(1)</sup>
Ningbo Boya	NVOCC (無船承運人)	Zhejiang Transportation Bureau	May 28, 2021	– <sup>(1)</sup>
Shenzhen Lcang International Logistics	NVOCC (無船承運人)	Department of Transportation of Guangdong Province	July 29, 2021	– <sup>(1)</sup>
Shenzhen Lcang International Logistics	Filing of International Freight Forwarding Agent (國際貨運代理企業備案)	Shenzhen Commerce Bureau	September 22, 2021	– <sup>(1)</sup>
Shenzhen Lcang Cross Border Supply Chain	Filing of International Freight Forwarding Agent (國際貨運代理企業備案)	Shenzhen Commerce Bureau	N/A	– <sup>(1)</sup>
Qingdao Boya	Filing of International Freight Forwarding Agent (國際貨運代理企業備案)	Qingdao Commerce Bureau	April 10, 2018	– <sup>(1)</sup>
Qingdao Boya	NVOCC (無船承運人)	Department of Transportation of Shandong Province	February 8, 2023	– <sup>(1)</sup>
Shanghai Leyi	Road Transport Operation License (道路運輸經營許可證)	Shanghai Jiading District Transportation Bureau	December 31, 2021	December 30, 2025
Zhangjiagang Lechang	Electronic Data Interchange License (增值電信業務經營許可證)	Telecommunications Administration of Jiangsu Province	July 26, 2022	May 19, 2026
Zhangjiagang Lechang	Road Transport Operation License (道路運輸經營許可證)	Zhangjiagang Transportation Bureau	December 15, 2022	December 31, 2023
Shanghai Sijin	Registration Certificate of Customs Declaration (報關單位註冊登記證書)	Shanghai Railway Station Customs	July 10, 2020	Long-term
Shanghai Sijin	NVOCC (無船承運人)	Municipal Transportation Commission of Shanghai	July 16, 2019	– <sup>(1)</sup>



## BUSINESS

Holder	Name of license and permit	Issuing authority	Date of grant/filing	Date of expiry
Shanghai Sijin	Filing of International Freight Forwarding Agent (國際貨運代理企業備案)	Shanghai Commerce Bureau	June 29, 2018	– <sup>(1)</sup>
BAL Container Line	Registration Certificate for International Liner Shipping Operation Qualification (國際班輪運輸經營資格登記證)	Ministry of Transportation	May 18, 2018	– <sup>(1)</sup>
Xiamen Lcang	Filing of International Freight Forwarding Agent (國際貨運代理企業備案)	Xiamen Commerce Bureau	N/A	– <sup>(1)</sup>
Xiamen Lcang	NVOCC (無船承運人)	Fujian Transportation Bureau	October 20, 2022	–
Shenzhen Lcang Cross Border Supply Chain Qingdao Branch	Filing for Selling Pre-packed Food (Including Cold Stored and Frozen Food)	Administration Approval Service Bureau of Qingdao Shinan District	November 18, 2022	–
Shenzhen Lcang Cross Border Supply Chain	NVOCC (無船承運人)	Department of Transportation of Guangdong Province	October 28, 2022	–

*Note:*

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

## AWARDS AND RECOGNITIONS

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

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

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### OVERVIEW

Mr. Xu, Ms. Li and Ms. Liu are family members, with Mr. Xu and Ms. Li being spouses and Ms. Liu being Mr. Xu’s mother-in-law. Immediately upon completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] or any options that may be granted under the Share Scheme), our ultimate Controlling Shareholders, namely Mr. Xu, Ms. Li and Ms. Liu, by virtue of the Acting in Concert Deed, will be entitled to exercise voting rights of approximately [REDACTED]% of the total issued share capital of our Company through the investment holding companies controlled by them. Lecang Fantasy is wholly owned by Lecang Boundless, which is in turn wholly owned by Mr. Xu. Lecang Altitude is wholly owned by Grand Sailing, which is in turn wholly owned by Mr. Xu. Lecang Shining is wholly owned by Peace Seaworld, which is in turn wholly owned by Ms. Li. Lecang Flourishing is wholly owned by Spring Wealth, which is in turn wholly owned by Ms. Liu. Glorious Sailing is owned as to approximately 79.53% by Mr. Xu (the sole director of Glorious Sailing), 4.96% by Ms. Zhu Jiali (our executive Director), 3.97% by Mr. Zhang Feng (our senior management member), 0.50% by Ms. Ding Sujun (丁素君) (our joint company secretary) and 11.04% by other 10 existing employees of our Group, each of whom is an Independent Third Party. By virtue of the Acting in Concert Deed, Mr. Xu (the ultimate beneficial owner of Lecang Fantasy and Lecang Altitude and the ultimate controller of Glorious Sailing), Ms. Li (the ultimate beneficial owner of Lecang Shining) and Ms. Liu (the ultimate beneficial owner of Lecang Flourishing) control the exercise of more than 30% of the voting power at general meetings of our Company through Lecang Boundless, Lecang Fantasy, Grand Sailing, Lecang Altitude, Peace Seaworld, Lecang Shining, Spring Wealth, Lecang Flourishing, and Glorious Sailing, respectively. Accordingly, Mr. Xu, Ms. Li, Ms. Liu, Lecang Boundless, Lecang Fantasy, Grand Sailing, Lecang Altitude, Peace Seaworld, Lecang Shining, Spring Wealth, Lecang Flourishing, and Glorious Sailing constitute a group of our Controlling Shareholders under the Listing Rules.

Each of Lecang Boundless, Lecang Fantasy, Grand Sailing, Lecang Altitude, Peace Seaworld, Lecang Shining, Spring Wealth, Lecang Flourishing, and Glorious Sailing is an investment holding company. Mr. Xu, one of our ultimate Controlling Shareholders, is our executive Director, chief executive officer, president and chairman of our Board. Ms. Li, one of our ultimate Controlling Shareholders, is our executive Director and vice president. For further background of Mr. Xu and Ms. Li, see “Directors and Senior Management – Board of Directors – Executive Directors.” Ms. Liu, one of our ultimate Controlling Shareholders, is one of our [REDACTED] Investors. For Ms. Liu’s further background, see “History, Reorganization and Corporate Structure – [REDACTED] Investments – Information relating to our [REDACTED] Investors.”

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## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

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### **ACTING IN CONCERT DEED**

On October 15, 2022, our ultimate Controlling Shareholders, Mr. Xu, Ms. Li and Ms. Liu, executed the Acting in Concert Deed, pursuant to which each of Mr. Xu, Ms. Li and Ms. Liu agreed and confirmed that from the date they became the registered owners, the ultimate controllers and/or beneficial owners of the equity interests in our Group to the date when any of them ceases to be our Controlling Shareholder: (a) they had been and would continue to be parties acting in concert and they had agreed to consult with each other and reach a unanimous consensus among themselves before the decision, implementation and agreement on all material management affairs, votings and/or commercial decisions, including but not limited to financial and operational matters, of any member of our Group; (b) they had casted and would continue to cast their votes as directors and/or shareholders (as the case may be) unanimously for or against all resolutions in all board and shareholders’ meetings and discussions of any member of our Group; and (c) they had cooperated and would continue to cooperate with one another to acquire, maintain and consolidate the control and management of our Group.

### **DELINEATION OF BUSINESS**

Each of our Directors and our Controlling Shareholders have confirmed that, as of the Latest Practicable Date, none of them or any of their respective close associates had interests in any business, other than our business, which competes, or is likely to complete, either directly or indirectly, with our business which would require disclosure under Rule 8.10 of the Listing Rules.

### **INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS AND THEIR CLOSE ASSOCIATES**

Having considered the following factors, we believe that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than our Group) after the [REDACTED] for the following reasons:

#### **Management Independence**

Our Board comprises four executive Directors and three independent non-executive Directors. As of the Latest Practicable Date, save for Mr. Xu who acts as a director in Lecang Boundless, Lecang Fantasy, Grand Sailing, Lecang Altitude, Lecang Shining, Lecang Flourishing and Glorious Sailing (each being a Controlling Shareholder) and Ms. Li who acts as a director in Peace Seaworld (being a Controlling Shareholder), none of our Directors or members of our senior management team holds any position at our Controlling Shareholder or their respective close associates.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Despite the overlapping roles assumed by Mr. Xu and Ms. Li as illustrated above, when performing his/her duties in our Group, he/she has been and will continue to be supported by the separate and independent board and/or senior management team of our Group. Moreover, Lecang Boundless, Lecang Fantasy, Grand Sailing, Lecang Altitude, Peace Seaworld, Lecang Shining, Spring Wealth, Lecang Flourishing and Glorious Sailing are merely investment holding companies and do not engage in other business activities. As such, we believe that our Board as a whole and members of the senior management are able to perform their roles in our Group independently and that our Group is capable of managing our business independently from the Controlling Shareholders and their respective close associates.

Each of our Directors is aware of his/her fiduciary duties as a Director, which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests. In the event that there is any potential conflict of interest arising out of any transaction to be entered into between our Group and any of the Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have an independent senior management team to carry out the business operation of our Group independently from our Controlling Shareholders.

Based on the reasons above, our Directors are of the view that our Group is capable of managing our business independently from our Controlling Shareholders and their respective close associates after the [REDACTED].

### **Operational Independence**

We have full rights to make all decisions on, and to carry out, our own business operations independently from our Controlling Shareholders and their respective close associates and will continue to do so after the [REDACTED]. Our Group is able to operate without reliance on our Controlling Shareholders and their respective close associates.

### ***Licences required for operation***

We hold all relevant licences necessary to carry on our current business independently from our Controlling Shareholders and/or their respective close associates.

### ***Access to customers, suppliers and business partners***

We have a diversified base of customers that are independent to our Controlling Shareholders and their respective close associates. During the Track Record Period, our customers generally included manufacturers and trading companies and freight forwarders, which are independent from our Controlling Shareholders. In addition, we have independent access to suppliers and business partners as well.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### *Operational facilities and administration*

As of the Latest Practicable Date, our Company operated and maintained properties, facilities and equipment necessary to our business operations are independent from our Controlling Shareholders and their respective close associates.

### *Employees*

As of the Latest Practicable Date, all of our full-time employees were recruited independently from our Controlling Shareholders and their respective close associates and primarily through both internal referrals and external sources such as recruiting websites and third-party recruiters.

### **Financial Independence**

All loans, advances and balances due to or from the Controlling Shareholders or their close associates which did not arise out of the ordinary course of business will be fully repaid or settled before the [REDACTED]. We will not have any share pledge and guarantee provided by or to our Controlling Shareholders and their respective close associates on the borrowings of our Group upon the [REDACTED].

In addition, we have our own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payment and independent access to third party financing. Accordingly, our Directors are of the view that our Group is capable of maintaining financial independence from our Controlling Shareholders and their respective close associates.

### **CORPORATE GOVERNANCE MEASURES**

Each of our Controlling Shareholders has confirmed that he/she/it fully comprehends his/her/its obligations to act in our Shareholders' best interests as a whole and is fully aware of the compliance of Rule 8.10 of the Listing Rules. Our Directors believe that there are adequate corporate governance measures in place to manage existing or potential conflicts of interest. In particular, in order to further avoid potential conflicts of interest, we have implemented the following measures:

- (a) as part of our preparation for the [REDACTED], we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provides that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (b) we are committed that our Board should include a balanced composition of executive Directors and independent non-executive Directors. We [have appointed] three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free from any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial and external opinion to protect the interests of our public Shareholders. For details of our independent non-executive Directors, see “Directors and Senior Management—Board of Directors—Independent non-executive Directors.”
- (c) we have established internal control mechanisms to identify conflict of interest and connected transactions. A Director with material interests shall make full disclosure in respect of matters that may have conflict or potentially conflict with any of our interest and abstain from the board meetings on matters in which such Director or his/her associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors. In the event that our independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group and our Controlling Shareholders, our Controlling Shareholders and/or our Company shall provide our independent non-executive Directors with all necessary information and our Company shall disclose the decisions of our independent non-executive Directors (including why business opportunities referred to it by our Controlling Shareholders were not taken up) either in its annual report or by way of announcements;
- (d) we have appointed Dongxing Securities (Hong Kong) Company Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to Directors’ duties and corporate governance; and
- (e) upon [REDACTED], if our Company enters into connected transactions with our Controlling Shareholders or their associates, our Company will comply with the Listing Rules. In addition, as required by the Listing Rules, our independent non-executive Directors shall review any connected transactions annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favorable to us than those available to or from independent third parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole.

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## CONNECTED TRANSACTION

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### OVERVIEW

Pursuant to Chapter 14A of the Listing Rules, our Directors, substantial shareholders and chief executive or those of our subsidiaries (other than the directors, substantial shareholders and chief executive of our insignificant subsidiaries), any person who was our Director or a director of our subsidiaries within 12 months preceding the [REDACTED] or any of their respective associates will become a connected person of our Company upon [REDACTED]. Accordingly, our transactions with such connected persons will constitute connected transactions for our Company under Chapter 14A of the Listing Rules upon [REDACTED].

Our Directors confirm that after [REDACTED], the following transactions between our indirect non-wholly owned subsidiary and the relevant connected persons of the Company will continue, which will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

### CONTINUING CONNECTED TRANSACTIONS WHICH ARE FULLY EXEMPTED FROM THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS’ APPROVAL REQUIREMENTS

#### Personal Guarantees provided by a director and substantial shareholder of Shanghai Sijin and his associate

Mr. Fu Dazheng (傅達正) (“**Mr. Fu**”), a director, legal representative and substantial shareholder who is interested in 13.75% equity interest in Shanghai Sijin, and his spouse have provided personal guarantees in favor of Shanghai Sijin (our indirect non-wholly owned subsidiary) (the “**Personal Guarantees**”) in respect of certain loans (the “**Loans**”) obtained by Shanghai Sijin as its general working capital. Details of the Loans are disclosed in “Financial Information—Indebtedness—Interest-bearing bank and other borrowings” and Note 27 to the Accountants’ Report in Appendix I to this document.

The Loans were obtained with the financing guarantees provided by Shanghai Administration Center of Policy Financing Guarantee Funds for SMEs (上海市中小微企業政策性融資擔保基金管理中心) (the “**Center**”), a public institution established by the Shanghai Municipal People’s Government, mainly responsible for operating the Shanghai Policy Financing Guarantee Funds for SMEs (上海中小微企業政策性融資擔保基金) to support the development of small-and-medium-sized enterprises with growth potential and business operations in Shanghai, together with Mr. Fu (in the capacity of the legal representative of Shanghai Sijin) and his spouse.

Our Directors expect that the Loans will not be settled before [REDACTED] and the Personal Guarantees will be continued until the settlement of the Loans. Our Directors are of the view that the Loans were obtained with the support of the Center which are in more favorable terms than other prevailing loan facilities available in the market. It is not in the interests of our Group to early repay the Loans, replace or release the Personal Guarantees which require consent from the bank and may involve re-negotiation of the terms and



## CONNECTED TRANSACTION

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conditions under the Loans, which would be unduly onerous for our Group and based on the current interest rates offered under the Loans, such interests rates are more favorable than those offered by the same bank without any guarantee, the early replacement or release of the Personal Guarantees under the Loans would not be cost-effective for our Group.

Mr. Fu Dazheng is a director and a substantial shareholder of Shanghai Sijin (our indirect non-wholly owned subsidiary) and thus a connected person of our Company at the subsidiary level for the purpose of the Listing Rules. His spouse, being an associate of a connected person of our Company, is also a connected person of our Company at the subsidiary level for the purpose of the Listing Rules. Accordingly, the Personal Guarantees provided by Mr. Fu Dazheng and his spouse will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules after [REDACTED].

Since the Group does not need to provide counter-guarantees nor pay any fees in favor of Mr. Fu Dazheng and his spouse in relation to all Personal Guarantees provided by them, our Directors are of the view that the Personal Guarantees are on normal commercial terms or better to our Group and the Personal Guarantees are not secured by assets of our Group, the Personal Guarantees will be exempted from the reporting, annual review, announcement and independent Shareholders’ approval requirements pursuant to Rule 14A.90 of the Listing Rules.

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## SHARE CAPITAL

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The following is a description of the authorized and the share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the [REDACTED] and the [REDACTED] (without taking into account the exercise of the [REDACTED] or any options that may be granted under the [REDACTED] Share Scheme):

	<b>Nominal value</b> (US\$)
<b>Authorized share capital:</b>	
[REDACTED] Shares of US\$0.0001 each	[REDACTED]
<b>Issued and to be issued, fully paid or credited as fully paid:</b>	
42,590,526 Shares in issue as of the date of this document	4,259.0526
[REDACTED] Shares to be issued to the [REDACTED]	[REDACTED]
<u>[REDACTED] Shares to be issued under the [REDACTED]</u>	<u>[REDACTED]</u>
 <u>[REDACTED] Total</u>	 <u>[REDACTED]</u>

### ASSUMPTIONS

The above table assumes that the [REDACTED] becomes unconditional and the issue of Shares pursuant to the [REDACTED] and the [REDACTED] are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] or any options that may be granted under the [REDACTED] Share Scheme or any Shares which may be issued or bought back by us pursuant to the general mandates granted to our Directors to issue or buy back Shares as described below.

### RANKINGS

The [REDACTED] will be ordinary shares in the share capital of our Company and will carry the same rights in all respects with all Shares in issue or to be issued as mentioned in this document and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document save for the entitlement under the [REDACTED].

### GENERAL MANDATES TO ALLOT AND ISSUE NEW SHARES AND TO BUY BACK SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted general mandates to exercise all the powers of our Company to allot and issue Shares and to buy back Shares. For details of such general mandates, see “Statutory and General Information—B. Further Information about our Company” in Appendix IV to this document.

## SHARE CAPITAL

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### **CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED**

Our Company will have only one class of Shares upon completion of the [REDACTED], namely ordinary shares, and each carries the same rights as with the other Shares.

As a matter of the Cayman Companies Act, an exempted company is not required by law to hold any general meeting or class meeting. The holding of general meeting or class meeting is prescribed under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed under the Articles, a summary of which is set out in “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix III to this document.

### **[REDACTED] SHARE SCHEME**

Our Company has conditionally adopted the [REDACTED] Share Scheme. The principal terms of the [REDACTED] Share Scheme are summarized in “Statutory and General Information – D. [REDACTED] Share Scheme” in Appendix IV to this document.

## SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately prior to and following the completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] or any option which may be granted under the [REDACTED] Share Scheme), have interests or short positions in our Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the issued voting shares of our Company.

Name of Shareholder	Nature of interest	Shares held as of the date of this document and immediately prior to the completion of the [REDACTED] and the [REDACTED] <sup>(1)</sup>		Shares held immediately following the completion of the [REDACTED] and the [REDACTED] <sup>(1)</sup>	
		Number of Shares	Approximate percentage	Number of Shares	Approximate percentage
Mr. Xu <sup>(2)(3)(4)(5)(8)</sup>	Interest in controlled corporations	26,425,549 Shares (L)	62.05%	[REDACTED] Shares (L)	[REDACTED]%
	Interest of spouse	26,425,549 Shares (L)	62.05%	[REDACTED] Shares (L)	[REDACTED]%
Lecang Boundless <sup>(3)(4)</sup>	Interest in controlled corporation	1,415,965 Shares (L)	3.32%	[REDACTED] Shares (L)	[REDACTED]%
Lecang Fantasy <sup>(3)(4)</sup>	Beneficial owner	1,415,965 Shares (L)	3.32%	[REDACTED] Shares (L)	[REDACTED]%
Grand Sailing <sup>(3)(5)</sup>	Interest in controlled corporation	12,649,387 Shares (L)	29.70%	[REDACTED] Shares (L)	[REDACTED]%
Lecang Altitude <sup>(3)(5)</sup>	Beneficial owner	12,649,387 Shares (L)	29.70%	[REDACTED] Shares (L)	[REDACTED]%
Ms. Li <sup>(2)(3)(6)</sup>	Interest in a controlled corporation	26,425,549 Shares (L)	62.05%	[REDACTED] Shares (L)	[REDACTED]%
	Interest of spouse	26,425,549 Shares (L)	62.05%	[REDACTED] Shares (L)	[REDACTED]%
Peace Seaworld <sup>(3)(6)</sup>	Interest in controlled corporation	3,269,387 Shares (L)	7.68%	[REDACTED] Shares (L)	[REDACTED]%
Lecang Shining <sup>(3)(6)</sup>	Beneficial owner	3,269,387 Shares (L)	7.68%	[REDACTED] Shares (L)	[REDACTED]%

## SUBSTANTIAL SHAREHOLDERS

<u>Name of Shareholder</u>	<u>Nature of interest</u>	<u>Shares held as of the date of this document and immediately prior to the completion of the [REDACTED] and the [REDACTED]<sup>(1)</sup></u>		<u>Shares held immediately following the completion of the [REDACTED] and the [REDACTED]<sup>(1)</sup></u>	
		<u>Number of Shares</u>	<u>Approximate percentage</u>	<u>Number of Shares</u>	<u>Approximate percentage</u>
Ms. Liu <sup>(3)(7)</sup>	Interest in a controlled corporation	26,425,549 Shares (L)	62.05%	[REDACTED] Shares (L)	[REDACTED]%
Spring Wealth <sup>(3)(7)</sup>	Interest in controlled corporation	4,048,710 Shares (L)	9.51%	[REDACTED] Shares (L)	[REDACTED]%
Lecang Flourishing <sup>(3)(7)</sup>	Beneficial owner	4,048,710 Shares (L)	9.51%	[REDACTED] Shares (L)	[REDACTED]%
Glorious Sailing <sup>(8)</sup>	Beneficial owner	5,042,100 Shares (L)	11.84%	[REDACTED] Shares (L)	[REDACTED]%

*Notes:*

- (1) The letter “L” denotes the person’s long position in our Shares.
- (2) Ms. Li is the spouse of Mr. Xu. By virtue of the SFO, Mr. Xu and Ms. Li are deemed to be interested in the Shares held by each other is interested.
- (3) Pursuant to the Acting in Concert Deed, each of Mr. Xu, Ms. Li and Ms. Liu had agreed and confirmed that from the date they became the registered owners and/or beneficial owners of the equity interests in our Group to the date when any of them ceases to be our Controlling Shareholder: (a) they had been and would continue to be parties acting in concert and they had agreed to consult with each other and reach a unanimous consensus among themselves before the decision, implementation and agreement on all material management affairs, votings and/or commercial decisions, including but not limited to financial and operational matters, of any member of our Group; (b) they had casted and would continue to cast their votes as directors and/or shareholders (as the case may be) unanimously for or against all resolutions in all board and shareholders’ meetings and discussions of any member of our Group; and (c) they had cooperated and would continue to cooperate with one another to acquire, maintain and consolidate the control and management of our Group. See “Relationship with Our Controlling Shareholders – Acting in Concert Deed.” By virtue of the SFO, each of our ultimate Controlling Shareholders together with investment holding companies held or controlled by them (being Lecang Boundless, Lecang Fantasy, Grand Sailing, Lecang Altitude, Peace Seaworld, Lecang Shining, Spring Wealth, Lecang Flourishing and Glorious Sailing) are all deemed to be interested in the total Shares directly held by Lecang Fantasy, Lecang Altitude, Lecang Shining, Lecang Flourishing and Glorious Sailing.
- (4) Lecang Fantasy is wholly owned by Lecang Boundless, which is in turn wholly owned by Mr. Xu. By virtue of the SFO, each of Mr. Xu and Lecang Boundless is deemed to be interested in the Shares held by Lecang Fantasy.
- (5) Lecang Altitude is wholly owned by Grand Sailing, which is in turn wholly owned by Mr. Xu. Accordingly, each of Mr. Xu and Grand Sailing is deemed under the SFO to be interested in the Shares directly held by Lecang Altitude.



## DIRECTORS AND SENIOR MANAGEMENT

### BOARD OF DIRECTORS

Our Board currently consists of seven Directors comprising four executive Directors, and three independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board’s work at our Shareholders’ meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions and exercising other powers, functions and duties as conferred by the Articles. We [have entered] into service agreement with each of our executive Directors. We [have also entered] into letters of appointment with each of our independent non-executive Directors.

The following table sets forth certain information in respect of members of our Board and senior management of our Group:

#### Board Members

Name	Age	Existing position(s) in our Group	Date of joining our Group	Date of appointment as Director	Role and responsibilities in our Group	Relationship with other Directors or senior management
Mr. Xu Xin (許昕)	44	Executive Director, chief executive officer, president and chairman of our Board	November 16, 2004	July 27, 2022	Responsible for the formulation of strategies and decision-making on operation and management of our Group	Spouse of Ms. Li
Ms. Li Yan (李艷)	36	Executive Director and vice president	August 17, 2007	October 20, 2022	Responsible for assisting in the formulation of strategies and decision-making on operation and management of our Group	Spouse of Mr. Xu



## DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Existing position(s) in our Group	Date of joining our Group	Date of appointment as Director	Role and responsibilities in our Group	Relationship with other Directors or senior management
Ms. Zhu Jiali (朱佳麗)	42	Executive Director and chief financial officer	November 16, 2004	October 20, 2022	Responsible for the overall supervision and management of financial and accounting affairs of our Group	None
Mr. Yu Zhenrong (余臻榮)	48	Executive Director	January 15, 2021	October 20, 2022	Responsible for providing strategic advices on management of our Group	None
Dr. Gu Lin (顧琳)	48	Independent non-executive Director	January 15, 2021	[●]	Responsible for providing independent advice on the operations and management of our Group	None
Mr. Du Haibo (杜海波)	53	Independent non-executive Director	January 15, 2021	[●]	Responsible for providing independent advice on the operations and management of our Group	None
Mr. Qi Yinliang (齊銀良)	39	Independent non-executive Director	January 20, 2022	[●]	Responsible for providing independent advice on the operations and management of our Group	None

## DIRECTORS AND SENIOR MANAGEMENT

### Members of our senior management

Name	Age	Existing position(s) in our Group	Date of joining our Group	Date of appointment as senior management	Role and responsibilities in our Group	Relationship with other Directors or senior management
Mr. Sun Hongyang (孫宏陽)	42	Vice president	March 23, 2022	March 23, 2022	Responsible for investment, financing and overall capital operation of our Group	None
Mr. Zhang Feng (張峰)	54	Vice president	June 26, 2017	June 26, 2017	Responsible for overseeing near-ocean seaborne transportation business of our Group	None
Mr. Ye Tao (葉濤)	48	Vice president	August 6, 2021	August 6, 2021	Responsible for overseeing deep-ocean seaborne transportation operation and overall operation and management of self-operated cross-border seaborne transportation of our Group	None

### Executive Directors

**Mr. Xu Xin** (許昕), aged 44, was appointed as our Director on July 27, 2022 and was re-designated as our executive Director, chief executive officer, president and the chairman of our Board on October 20, 2022, mainly responsible for the formulation of strategies and decision-making on operation and management of our Group.

Mr. Xu has over 20 years of experience in the global shipping and logistics industry. From October 2002 to December 2007, Mr. Xu served as the legal representative, director and general manager at Qingdao Boan Container Co., Ltd. (青島博安集裝箱有限公司), a company controlled by Mr. Xu and principally engaged in the sales, rental and maintenance of container, where he was primarily responsible for overall management of the company. Mr. Xu founded our Group in 2004 and served as a director and the general manager of Shandong Lcang from November 2004 to August 2022 and the chairman of the board of directors in Shandong Lcang from October 2015 to August 2022. Since February 2023, Mr. Xu has been serving as a director of Shandong Lcang. Since May 2015, Mr. Xu has been serving as the legal representative and director of Qingdao Jiliang, a company controlled by Mr. Xu and principally engaged in management consulting services, where he has been primarily responsible for overall management of the company. Mr. Xu has also been a director of certain subsidiaries of our Company.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Xu graduated from Qingdao Harbor Vocational & Technical College (青島港灣職業技術學院) in the PRC with diploma in port and ship electricians in June 1998 and from Ocean University of China (中國海洋大學) in the PRC with a diploma in computer in July 2004. He obtained his Executive Master of Business Administration (EMBA) from China Europe International Business School (中歐國際工商學院) in the PRC in September 2010. He has been studying the CKGSB Business Scholar Program (企業家學者項目) at Cheung Kong Graduate School of Business in the PRC since December 2022.

In addition, Mr. Xu was awarded with the “8th Shandong Youth Entrepreneurship Nomination Award” (第八屆山東青年創業獎提名獎) by the Ministry of Human Resources and Social Security of Shandong Province (山東省人力資源和社會保障廳) in December 2016.

**Ms. Li Yan (李艷)**, aged 36, was appointed as our executive Director and vice president on October 20, 2022. Ms. Li is mainly responsible for assisting in the formulation of strategies and decision-making on operation and management of our Group.

Ms. Li has over 15 years of experience in global shipping and logistics industry. Ms. Li has served various positions including the deputy general manager at Shandong Lcang from September 2007 to August 2022, and the general manager and the chairman of the board of directors in Shandong Lcang since August 2022. She has been serving as a director of Shandong Lcang since October 2015, where she has been primarily responsible for assisting the general manager in the formulation of corporate strategies and managing the decisions of our Group. Since May 2015, Ms. Li has been serving as the general manager of Qingdao Jiliang, a company controlled by Mr. Xu and principally engaged in management consulting service, where she has been primarily responsible for overall management of the company. Ms. Li has also been a director of certain subsidiaries of our Company.

Ms. Li graduated from Qingdao Harbor Vocational & Technical College (青島港灣職業技術學院) in the PRC with a diploma in international freight and customs clearance in July 2007 and from Tongji University (同濟大學) in the PRC with a diploma in business administration in January 2013, and she obtained her Executive Master of Business Administration (EMBA) from China Europe International Business School (中歐國際工商學院) in the PRC in November 2018.

**Ms. Zhu Jiali (朱佳麗)**, aged 42, was appointed as our executive Director and chief financial officer on October 20, 2022 and is mainly responsible for the overall supervision and management of financial and accounting affairs of our Group.

Ms. Zhu has approximately 18 years of experience in the global shipping and logistics industry and accounting. Ms. Zhu joined our Group in November 2004. From November 2004 to May 2005, Ms. Zhu worked as a container management operator at our Group where she was responsible for container management work. From June 2005 to May 2011, she successively served as a deputy manager of container management and a manager of the container management department where she was responsible for the management of the container management department at our Group. Ms. Zhu has been serving as the manager of the financial department of Shandong Lcang since June 2011, a director of Shandong Lcang since October 2015, and the financial controller of Shandong Lcang since January 2022, where she is responsible for overseeing and managing of the financial matters of the Shandong Lcang. Ms. Zhu has also been a director of certain subsidiaries of our Company.

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## DIRECTORS AND SENIOR MANAGEMENT

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Ms. Zhu graduated from Qingdao Harbor Vocational & Technical College (青島港灣職業技術學院) in the PRC in June 2000 with a diploma in electromechanical integration and from Shandong University (山東大學) in the PRC in December 2002 with a diploma in English. She passed the national intermediate accountant exam (國家會計專業技術中級資格考試) of the PRC in 2014.

**Mr. Yu Zhenrong (余臻榮)**, aged 48, was appointed as our executive Director on October 20, 2022. Mr. Yu joined our Group in January 2021 as a director of Shandong Lcang and has been mainly responsible for providing strategic advices on management of our Group.

Mr. Yu has over 25 years of experience in corporate consulting service. Prior to joining our Group, from August 1997 to April 2002, Mr. Yu served at Arthur Andersen (Shanghai) Business Consulting Co., Ltd. (安達信(上海)企業諮詢有限公司), a company principally engaged in consulting service. From May 2002 to November 2006, he served at BearingPoint (Shanghai) Business Consulting Co., Ltd. (畢博(上海)企業管理諮詢有限公司), a company principally engaged in providing enterprise management consulting service. From November 2006 to July 2011, Mr. Yu served as a partner at IBM China Company Limited (國際商業機器(中國)有限公司), a company principally engaged in providing comprehensive corporate information technology services. From July 2011 to December 2014, he served as an executive director at GP Capital Co., Ltd. (金浦產業基金投資管理有限公司), a company principally engaged in capital investment, where he was responsible for overseeing investment and post investment management. From January 2015 to May 2020, Mr. Yu served at Hotwind Investment Co., Ltd. (熱風投資有限公司) and Shanghai Hotwind Fashion Enterprise Development Co., Ltd. (上海熱風時尚企業發展有限公司), with his last position served as a Co-president where he was responsible for overall company management.

Mr. Yu graduated from Shanghai Jiao Tong University (上海交通大學) in the PRC with dual bachelor’s degrees in industrial foreign trade and computer science and applications in July 1997. He also obtained his Executive Master of Business Administration (EMBA) from China Europe International Business School (中歐國際工商學院) in the PRC in September 2010.

### Independent non-executive Directors

**Dr. Gu Lin (顧琳)**, aged 48, was appointed as our independent non-executive Director on [●]. He has been serving an independent director of Shandong Lcang since January 2021 and is primarily responsible for providing independent advice on the operations and management of our Group.

Dr. Gu has over 19 years of experience in the education industry. Dr. Gu served as a lecturer from 2003 to 2006, at Shanghai Jiao Tong University (上海交通大學) in the PRC, where he was engaged in tuition, supervision of graduate students and conducting academic researches. Since 2006, Dr. Gu has been serving as an associate professor at Shanghai Jiao Tong University (上海交通大學) in the PRC, where he has been engaged in tuition, supervision of graduate students and conducting academic researches. From September 2019 to October 2022, Dr. Gu has been serving as an independent director at Suzhou Yimeide Technology Co., Ltd. (逸美德科技股份有限公司), a company whose shares are quoted on the NEEQ (stock code: 873792) and principally engaged in integrating R&D, production, sales and service, where he has been responsible for providing independent advice on the operations and

## DIRECTORS AND SENIOR MANAGEMENT

management. Since October 2020, Dr. Gu has been serving as an independent director at Shanghai Bloom Technology Inc. (上海博隆裝備技術股份有限公司), a professional supplier providing pneumatic-conveying-based powder and granular material handling system solutions, where he has been responsible for providing independent advice on the operations and management.

Dr. Gu graduated from Harbin Institute of Technology (哈爾濱工業大學) in the PRC with a master’s degree in mechatronic engineering in July 1998 and a doctor’s degree in mechanical manufacturing and automation in October 2002. He obtained the independent director qualification certificate granted by the Shanghai Stock Exchange in April 2014.

**Mr. Du Haibo (杜海波)**, aged 53, was appointed as our independent non-executive Director on [●]. He has been serving an independent director of Shandong Lcang since January 2021 and he is primarily responsible for providing independent advice on the operations and management of our Group. Mr. Du has extensive work experience in the audit and he held or is currently engaging in various positions in the following entities:

Name of entity	Principal business	Position(s)	Responsibilities	Period of services
Lingbao County Audit Bureau of the PRC (靈寶縣審計局)	Governmental audit department	Auditor	accounting and internal audit for infrastructure and agriculture, forestry and water departments of Lingbao County	September 1989 to August 1990
Lingbao Audit Firm (靈寶縣審計師事務所)	Audit service	Deputy head	business management of the firm	August 1990 to April 1993
Henan Audit Firm (河南審計事務所)	Audit service	Head of department, deputy head and head of office	management and business operations of the firm	May 1993 to November 1999
Henan Zhengyong Accountant Firm Co., Ltd. (河南正永會計師事務所有限公司)	Audit service, financial and accounting consultation	Chairman	overall management and business operations of the company	December 1999 to present

## DIRECTORS AND SENIOR MANAGEMENT

Name of entity	Principal business	Position(s)	Responsibilities	Period of services
Henan Zhengyong Business Consulting Co., Ltd. (河南正永創業諮詢有限公司)	Enterprise management consultation, financial management consulting, enterprise marketing consultation, planning and design	Chairman	overall management and business operations of the company	April 2005 to present
Henan Zhengyong Engineering Consulting Co., Ltd. (河南正永工程諮詢有限公司)	Consultation of engineering cost	Chairman	overall management and business operations of the company	June 2010 to present
Zhengzhou Grain Wholesale Market Co., Ltd. (鄭州糧食批發市場有限公司)	Organization of trading, settlement, delivery, trading and warehousing of grain, oil and other agricultural products and manufactured goods	Director	facilitating and improving strategies of the company	December 2018 to present
Dmodes Fashion Garment Co., Ltd. (黛瑪詩時尚服裝有限公司)	Garment production and sales	Director	promoting and improving strategies of the company	January 2019 to present
Henan Energy Group Co., Ltd. (河南能源集團有限公司)	Investment and management in the energy, chemical, finance, equipment manufacturing, logistics, non-ferrous metals, construction, power, cement, transportation, education, real estate and leasing industries	Director	promoting and improving strategies of the company	December 2018 to present

## DIRECTORS AND SENIOR MANAGEMENT

In addition, Mr. Du has held several directorships in listed companies set forth as below:

Name of entity	Principal business	Place of listing and stock code	Position	Responsibilities	Period of service
Xinxiang Chemical Fiber Co. Ltd. (新鄉化纖股份有限公司)	Production and sales of spandex and viscose fibers	Shenzhen Stock Exchange (stock code: 000949)	Independent director	supervising and providing independent advice to the board of the company	July 2014 to July 2020
Baihe Media Co., Ltd. (百禾傳媒股份有限公司)	Performance operation and brokerage	NEEQ (stock code: 834614)	Independent director	supervising and providing independent advice to the board of the company	July 2015 to April 2022
KASEN International Holdings Limited (卡森國際股份有限公司)	Manufacturing, property development, tourism	Main Board of the Stock Exchange (stock code: 496)	Independent non-executive director	supervising and providing independent advice to the board of the company	November 2015 to present
Suntront Technology Co., Ltd. (新天科技股份有限公司)	Internet of things solutions for smart utilities such as water, electricity, gas and heat	Shenzhen Stock Exchange (stock code: 300259)	Independent director	supervising and providing independent advice to the board of the company	November 2016 to December 2022
Henan Shuanghui Investment & Development Co., Ltd. (河南雙匯投資發展股份有限公司)	Livestock breeding, breeding stock production, breeding stock operations, poultry breeding, feed production, livestock slaughter, pig slaughter, poultry slaughter, food production and food sales	Shenzhen Stock Exchange (stock code: 000895)	Independent director	supervising and providing independent advice to the board of the company	August 2018 to present



## DIRECTORS AND SENIOR MANAGEMENT

Name of entity	Principal business	Place of listing and stock code	Position	Responsibilities	Period of service
XuHui Design Co., Ltd. (徐輝設計股份有 限公司)	Construction engineering design, building intelligent system design, territorial spatial planning, construction project supervision, general contracting for housing construction and municipal infrastructure projects	NEEQ (stock code: 873730)	Independent director	supervising and providing independent advice to the board of the company	September 2018 to present
SF Diamond Co., Ltd. (河南四方達超硬 材料股份有限公 司)	Development, production and sales of super abrasives and related products	Shenzhen Stock Exchange (stock code: 300179)	Independent director	supervising and providing independent advice to the board of the company	January 2021 to present

While Mr. Du is currently holding directorships in three other companies listed on the Stock Exchange or Shenzhen Stock Exchange and one company quoted on the NEEQ as disclosed above, our Directors are of the view that Mr. Du will be able to devote sufficient time to discharge his duties and responsibilities as an independent non-executive Director given that: (i) save for his role as the chairman in Henan Zhengyong Accountant Firm Co., Ltd., Henan Zhengyong Business Consulting Co., Ltd. and Henan Zhengyong Engineering Consulting Co., Ltd., his roles in other three private companies and five listed or quoted companies primarily require him to either promote and improve strategies or supervise and provide independent advice to those companies, rather than to allocate substantial time on the participation of the day-to-day management and operations of their respective businesses; (ii) he has demonstrated that he is capable of devoting sufficient time to discharge his duties owed to each of these listed companies by attending board meetings and board committee meetings of these listed companies during their latest financial year, as disclosed in the annual report of aforesaid listed companies; (iii) as confirmed by Mr. Du, none of the listed companies that he has a directorship with has questioned or complained about his time devoted to such companies; (iv) he has acquired extensive management experience and developed substantial knowledge on corporate governance through his directorships in other listed companies, which is expected to facilitate the proper discharge of his duties and responsibilities as an independent non-executive Director; (v) Mr. Du’s role in our Group is non-executive in nature and he will not be involved in the daily management of our Group’s business, thus his engagement as our independent non-executive Director will not require his full-time participation; and (vi) he has confirmed that he will have sufficient time to fulfill his duties as an independent non-executive Director notwithstanding his existing independent directorships in four other listed or quoted companies.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Du was a director of Beijing Zhengyong Investment Management Consultation Co., Ltd. (北京正永投資管理諮詢有限公司), a company principally engaged Investment consulting before its cessation of business. As confirmed by Mr. Du, during his tenure, as the said company had ceased business operation, its business license was revoked on November 19, 2013 solely due to the lack of operations for a long time and failure to submit annual reports to the competent relevant in industrial and commercial bureau in the PRC in a timely manner. Mr. Du confirmed that (i) the said company was solvent immediately prior to the revocation of business license; (ii) there was no wrongful act on his part leading to revocation of business license of the said company; and (iii) he is not aware of any actual or potential claim which has been or could potentially be made against him as a result of revocation of business license of the said company.

Mr. Du graduated from Zhengzhou University (鄭州大學) in the PRC with a diploma in auditing in June 1989 and he obtained his Executive Master of Business Administration (EMBA) from China Europe International Business School (中歐國際工商學院) in the PRC in September 2005. He was accredited as a certified public accountant issued by the Henan Institute of Certified Public Accountants (HENICPA) in December 1993 and also obtained a professional qualifications of senior accountant (高級會計師) issued by the Henan Provincial People’s Government in December 1999.

**Mr. Qi Yinliang (齊銀良)**, aged 39, was appointed as our independent non-executive Director on [●]. He has been serving an independent director of Shandong Lcang since January 2022 and is primarily responsible for providing independent advice on the operations and management of our Group.

Mr. Qi has over 16 years of experience in information technology and business management consulting services. He held several positions and directorships in the following entities:

<u>Name of entity</u>	<u>Principal business</u>	<u>Position(s)</u>	<u>Responsibilities</u>	<u>Period of services</u>
Shanghai Shipping Exchange Information Technology Consulting Co., Ltd (上海航交信息技術諮詢有限公司)	State-owned entity primarily organizing international maritime and domestic coastal cargo transportation, leasing and dealing of transportation vessels, and other transportation vessel dealing related services	Clerk in the trading department and president’s office	assisting in the general manager to develop company strategies and handling shipping affairs	July 2006 to February 2012
Shanghai Haiji Information Technology Co., Ltd. (上海海際信息科技有限公司)	Operating a media platform of shipping information and data	Director and general manager	overall business strategy and marketing of the company	March 2012 to present

## DIRECTORS AND SENIOR MANAGEMENT

<u>Name of entity</u>	<u>Principal business</u>	<u>Position(s)</u>	<u>Responsibilities</u>	<u>Period of services</u>
Zhejiang Free Trade Zone Maritime Consulting Service Co., Ltd. (浙江自貿區海際海事諮詢服務有限公司)	Information technology and enterprise management consulting services	Director	formulating business plans, investment proposals, annual financial budgets of the company	March 2020 to present
Guangdong Haiji Information Technology Co., Ltd. (廣東海際信息科技有限公司)	Information technology and enterprise management consulting services	Director and chairman of the board of directors	overall management of the company	May 2020 to present
Ningbo Haiji Enterprise Management Consulting Co., Ltd. (寧波海際企業管理諮詢有限公司)	Enterprises management, information and financial consulting services	Director and general manager	overall management of the company	August 2021 to present
Fujian Highton Development Co., Ltd. (福建海通發展股份有限公司) (Note)	Domestic coastal, the middle and lower reaches of Yangtze River and Pearl River Delta bulk cargo shipments	Independent director	providing independent advice and judgment to management of the company	August 2021 to present

In addition, Mr. Qi has held directorship in the following listed company:

<u>Name of entity</u>	<u>Principal business</u>	<u>Place of listing and stock code</u>	<u>Position</u>	<u>Responsibilities</u>	<u>Period of service</u>
Fujian Highton Development Co., Ltd. (福建海通發展股份有限公司)	Domestic coastal, the middle and lower reaches of Yangtze River and Pearl River Delta bulk cargo shipments	Shanghai Stock Exchange (stock code: 603162)	Independent director	providing independent advice and judgment to management of the company	August 2021 to present

While Mr. Qi is currently holding directorships in four other private companies and one company listed on the Shanghai Stock Exchange as disclosed above, our Directors are of the view that Mr. Qi will be able to devote sufficient time to discharge his duties and responsibilities as an independent non-executive Director given that: (i) save for Shanghai Haiji Information Technology Co., Ltd. where Mr. Qi is responsible for overall business strategy and marketing and Zhejiang Free Trade Zone Maritime Consulting Service Co., Ltd.

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## DIRECTORS AND SENIOR MANAGEMENT

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where Mr. Qi is responsible for formulating business plans, investment proposals, annual financial budgets, his roles in other companies primarily require him to oversee the overall management or provide independent advice, rather than to allocate substantial time on participation of the day-to-day operation and development of their respective businesses; (ii) he has demonstrated that he is capable of devoting sufficient time to discharge his duties as an independent director owed to Shandong Lcang by attending board meetings of Shandong Lcang since his joining in January 2022; (iii) he has acquired extensive management experience and developed substantial knowledge on enterprise management through his directorships in other companies, which is expected to facilitate the proper discharge of his duties and responsibilities as an independent non-executive Director; (iv) Mr. Qi’s role in our Group is non-executive in nature and he will not be involved in the daily management of our Group’s business, thus his engagement as our independent non-executive Director will not require his full-time participation; and (v) he has confirmed that he will have sufficient time to fulfill his duties as an independent non-executive Director notwithstanding his existing directorships in other five companies.

Mr. Qi graduated from College of Arts and Sciences of Shanghai Maritime University (上海海事大學) in the PRC with a bachelor’s degree in administrative management in July 2006. Mr. Qi was awarded with the “Shanghai May Fourth Medal Honorary Titles (上海市青年五四獎章)” by China Communist Youth League Shanghai Committee and Shanghai Municipal Bureau of Human Resources and Social Security in April 2016 and the “Lujiazui’s 2017 Ten Outstanding Young Person (陸家嘴金融城2017年度十大傑出青年)” by the Communist Party of China Shanghai Lujiazui Financial and Trade Zone General Committee and Shanghai Lujiazui Financial City General Working Committee of the Communist Youth League in July 2017 and “Outstanding Young Person in China Shipping Industry (中國航運青年傑出人物)” by the Shanghai International Shipping Institute in September 2018.

Save as disclosed in this section, none of our Directors have held any other directorships in listed companies during the three years immediately preceding the date of this document. There is no other information relating to the relationship of any of our Directors with other Directors and senior management officers that should be disclosed pursuant to Rule 13.51(2) or paragraph 41(3) of Appendix 1A of the Listing Rules.

Save as disclosed in this section, to the best of the knowledge, information and belief of our Directors having made all reasonable inquiries, there was no other matter with respect to the appointment of our Directors that needed to be brought to the attention of our Shareholders and there was no information relating to our Directors that was required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

### SENIOR MANAGEMENT

Our executive Directors and other members of our senior management are responsible for the day-to-day operations and management of the business of our Group.

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## DIRECTORS AND SENIOR MANAGEMENT

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For the biographical details of Mr. Xu Xin, Ms. Li Yan, Ms. Zhu Jiali and Mr. Yu Zhenrong, see “—Executive Directors.” Members of the senior management of our Group also include the following:

**Mr. Sun Hongyang (孫宏陽)**, aged 42, joined our Group in March 2022 and has been serving as our vice president since then. He is mainly responsible for investing, financing and overall capital operation of our Group since then.

Prior to joining our Group, Mr. Sun has over 22 years of experience in finance. From 2000 to 2003, Mr. Sun successively served as an accountant and financial supervisor in Shanghai New Focus Auto Parts Co., Ltd. (上海紐福克斯汽車配件有限公司), a company principally engaged in production of automotive parts, where he was mainly responsible for accounting, preparation of consolidated statements and financial analysis reports. From January 2004 to July 2006, he served as a finance manager of Shanghai JFP Power Equipment Co., Ltd. (上海稽富比動力設備有限公司), a company principally engaged in manufacturing of generator set, where he was mainly responsible for finance management and fund management of the company. From August 2006 to April 2012, Mr. Sun served as a finance manager of China area in Baumann Springs (Shanghai) Co., Ltd. (寶馬彈簧(上海)有限公司), a company principally engaged in manufacturing of auto parts, where he was mainly responsible for finance management and fund management of the company. From May 2012 to June 2015, Mr. Sun served as the financial controller of China area in Martin Sprocket & Gear (China) Co., Ltd. (馬丁傳動件(上海)有限公司), a company principally engaged in manufacturing of mechanical transmission parts, where he was mainly responsible for finance management and fund management of companies in China area. From July 2015 to June 2017, he served at KASEN International Holdings Limited (卡森國際控股有限公司), a company principally engaged in manufacturing, property and tourism and listed on the Main Board of the Stock Exchange (stock code: 0496), with his last position served as an executive director and the chief financial officer where he was responsible for the group’s financial management, investment, financing, mergers and acquisitions as well as decision-making of major events of the company. From August 2017 to May 2020, he served as a vice president at Shanghai Jingyu Garden Construction Development Co., Ltd. (上海景域園林建設發展有限公司), a company principally engaged in landscaping contracting and construction, where he was responsible for financial management, financing and mergers and acquisitions of the company. From May 2020 to March 2022, he served as a deputy general manager at Zhejiang Kasen Industrial Group Co., Ltd. (浙江卡森實業集團有限公司), a company principally engaged in investment holding and import/export trading, where he was responsible for overseeing investment management of the company.

Mr. Sun graduated from Henan Finance & Taxation College (河南財政稅務高等專科學校) in July 2000 in economic information management and computer application and obtained an executive master of professional accountancy from The Chinese University of Hong Kong (香港中文大學) in December 2010. He received his Executive Master of Business Administration (EMBA) from China Europe International Business School (中歐國際工商學院) in the PRC in November 2018. Mr. Sun 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) in September 2010 and as an Australian certified practising accountant (CPA Aust.) by the CPA Australia in June 2015.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. Zhang Feng (張峰)**, aged 54, joined our Group in June 2017 and has been serving as our vice president since then. He is mainly responsible for overseeing short-sea seaborne transportation business of our Group since then.

Mr. Zhang has over 27 years of experience in the freight logistics industry in the PRC. Prior to joining our Group, from March 1996 to June 2017, Mr. Zhang served at Regional Container Line Shipping Co., Ltd. (宏海箱運船務有限公司), a container shipping line company whose shares are listed on The Stock Exchange of Thailand (stock code: RCL), where his last position was a deputy general manager of Qingdao branch and he was mainly responsible for overseeing sales and marketing in the PRC.

Mr. Zhang obtained a bachelor’s degree in economic management from Peking University (北京大學) by way of correspondence program in the PRC in June 1996.

**Mr. Ye Tao (葉濤)**, aged 48, joined our Group in August 2021 and has been serving as our vice president since then. He is mainly responsible for overseeing deep-sea seaborne transportation operation and overall operation and management of self-operated cross-border seaborne transportation of our Group since then.

Mr. Ye has over 25 years of experience in the freight logistics industry in the PRC. Prior to joining our Group, from July 1997 to February 2000, he served as an operator at American President Lines (China) Co., Ltd. (美國總統輪船(中國)有限公司), a shipping carrier principally engaged in deep-sea container transportation in Europe and America, where he was successively responsible for terminal cargo operations at the Shanghai Port for American President Lines, LLC, the parent company, and container management in Shanghai and Yangtze River basin. From February 2000 to January 2016, he successively served for several positions including a general manager of operation department in Shanghai city, China region and the Greater China region of CSAV Group (China) Shipping Co., Ltd. (南美輪船(中國)船務有限公司), a company principally engaged in providing cargo transportation-related port services and vessel operation for vessels owned or operated by Chilean South American Shipping Company (Compañía Sud Americana de Vapores S.A.) and Norasia Container Lines Limited, two deep-sea shipping brands of the parent group, where he was mainly responsible for the company’s overall management of shipping, terminals, cargo and container in the Greater China. From February 2016 to April 2019, he successively served as a senior manager of operation department at Hapag-Lloyd (China) Shipping Ltd. (赫伯羅特船務(中國)有限公司) and Hapag-Lloyd Business Services (Suzhou) Company Limited (赫伯羅特企業管理服務(蘇州)有限公司) respectively, where he is mainly responsible for management of all related business of vessels and cargoes of Hapag-Lloyd AG, the parent company, in the Greater China (including Hong Kong, Macao and Taiwan). From April 2019 to March 2021, he served as an executive deputy general manager at Shanghai Brilliant International Logistics Co., LTD (上海創元集裝箱倉儲有限公司) (formerly known as Shanghai Chuangyuan International Logistics Co., Ltd. (上海創元國際物流有限公司)), a company principally engaged in container storage and transportation, where he was mainly responsible for marketing and promotion, container storage and maintenance, warehouse cargo flow and other related business management work. Since June 2019, he has been serving as a supervisor of Shanghai Fuyuanhong Industrial Development Co., Ltd. (上海馥源鴻實業發展有限公司), a company principally engaged in daily necessities and sporting goods, where he has been responsible for supervising management of the company.



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Mr. Ye obtained a bachelor’s degree in international transportation management from Shanghai Maritime University (上海海事大學) (formerly known as Shanghai Maritime College (上海海運學院)) in the PRC in June 1997, and graduated from a master programme in management science and engineering from School of International Business and Management of Shanghai University (上海大學) in the PRC in February 2009.

### JOINT COMPANY SECRETARIES

**Ms. Ding Sujun (丁素君)**, aged 32, was appointed as our joint company secretary on October 20, 2022. Ms. Ding joined our Group in July 2017 as the secretary of the board Shandong Lcang and has been responsible for our corporate governance matters, information disclosure pursuant to applicable regulatory requirements, investor relationship management and communication with the relevant competent regulatory authorities since then.

Ms. Ding has over seven years of experience in legal, compliance and company secretarial matters. Prior to joining our Group, from June 2015 to May 2016, she served as the officer in charge of legal and information disclosure matters at Shanghai Time Polytron Technologies Inc. (上海時光科技股份有限公司), a company whose shares were previously quoted on the NEEQ (stock code: 833857) and principally engaged in technology development, consultation and network services, where she was responsible for legal matters and information disclosure matters. From May 2016 to July 2017, she served as a legal officer and the representative in charge of securities related matters at Shanghai Qiyuan Technology Co., Ltd. (上海企源科技股份有限公司), a company whose shares were previously quoted on the NEEQ (stock code: 833132) and principally engaged in software and information technology services, where she was responsible for legal and financing matters.

Ms. Ding graduated from Liaoning Normal University (遼寧師範大學) in the PRC with a bachelor’s degree in law (economic law) in June 2015. She is currently pursuing her master’s degree in business management in Shanghai University of Finance and Economics (上海財經大學) in the PRC. In August 2015, she obtained the legal professional qualification certificate granted by the Ministry of Justice of the People’s Republic of China. She obtained the secretary practitioner qualification certificate granted by Shenzhen Stock Exchange in October 2016 and by Shanghai Stock Exchange in May 2016, respectively. She obtained the Securities Practitioner Qualification Certificate (證券從業資格證) in March 2016 from the Securities Association of China (中國證券業協會) and the Fund Practicing Qualification Certificate (基金從業資格證) from Asset Management Association of China (中國證券投資基金業協會) in November 2016. In April 2017, she has obtained the qualification certificate of board secretary of national equities exchange and quotations company granted by the NEEQ. In July 2020, she obtained the independent director qualification certificate granted by the Shanghai Stock Exchange. In November 2021, she was also awarded with the “Gold Medal Board Secretary” by the NEEQ.



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## DIRECTORS AND SENIOR MANAGEMENT

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**Ms. Ho Yin Kwan (何燕群)**, was appointed as our joint company secretary on October 20, 2022. Ms. Ho has extensive experience in corporate secretarial field and has been providing corporate secretarial services to both listed and private companies incorporated in Hong Kong and overseas. She is a vice president of SWCS Corporate Services Group (Hong Kong) Limited which is principally engaged in the provision of company secretarial services, and has assisted in discharging company secretarial responsibilities in various companies listed on the Stock Exchange.

Ms. Ho is currently serving as the company secretary or the joint company secretary of Broncus Holding Corporation (stock code: 2216), CStone Pharmaceuticals (stock code: 2616), GUSHENGTANG HOLDINGS LIMITED (stock code: 2273), Litian Pictures Holdings Limited (stock code: 9958), Nayuki Holdings Limited (stock code: 2150), South China Vocational Education Group Company Limited (stock code: 6913), Sunkwan Properties Group Limited (stock code: 6900), Virscend Education Company Limited (stock code: 1565), Hangzhou Tigermed Consulting Co., Ltd. (stock code: 3347), Jiangsu Recbio Technology Co., Ltd. (stock code: 2179) and Rizhao Port Jurong Co., Ltd. (stock code: 6117), all of which are listed on the Main Board of the Stock Exchange.

Ms. Ho holds a bachelor’s degree in business and finance from the University of Portsmouth and a master’s degree in corporate governance from the Open University of Hong Kong (currently known as Hong Kong Metropolitan University). She is also a member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

### BOARD COMMITTEES

Our Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee and delegated various responsibilities to these three committees, which assist our Board in discharging its duties and overseeing particular aspects of our activities.

#### **Audit committee**

We have established the Audit Committee on [●], 2023 pursuant to Rule 3.21 of the Listing Rules with written terms of reference in compliance with paragraph D.3 of Part 2 of the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules (the “**CG Code**”). Our Audit Committee consists of three members, namely Mr. Du Haibo, Dr. Gu Lin, Mr. Qi Yinliang. Mr. Du Haibo is the chairman of our Audit Committee and our independent non-executive Director with the appropriate professional qualifications or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The primary duties of our Audit Committee include, but are not limited to (i) assisting our Board by providing an independent view of the effectiveness of the financial reporting, risk management and internal control systems of our Group, (ii) overseeing the audit process, developing and reviewing our policies and (iii) performing other duties and responsibilities as assigned by our Board.

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## DIRECTORS AND SENIOR MANAGEMENT

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### Remuneration committee

We have established the Remuneration Committee on [●], 2023 pursuant to Rule 3.25 of the Listing Rules with written terms of reference in compliance with paragraph E.1 of Part 2 of the CG Code. Our Remuneration Committee consists of three members, namely Mr. Qi Yinliang, Mr. Xu and Dr. Gu Lin. Mr. Qi Yinliang is the chairman of our Remuneration Committee.

The primary duties of our Remuneration Committee include, but are not limited to (i) making recommendations to our Directors regarding our policy and structure for the remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to our Board on the remuneration packages of our Directors and senior management; (iii) reviewing and approving the management’s remuneration proposals with reference to our Board’s corporate goals and objectives resolved by our Board from time to time; and (iv) reviewing and/or approving matters relating to share schemes under chapter 17 of the Listing Rules.

### Nomination committee

We have established the Nomination Committee on [●], 2023 pursuant to Rule 3.27A of the Listing Rules with written terms of reference in compliance with paragraph B.3 of Part 2 of the CG Code. Our Nomination Committee consists of three members, namely Mr. Xu, Mr. Qi Yinliang and Dr. Gu Lin. Our Nomination Committee is chaired by Mr. Xu.

The primary duties of our Nomination Committee include, but not limit to (i) reviewing the structure, size and composition of our Board, (ii) assessing the independence of independent non-executive Directors; and (iii) making recommendations to our Board on matters relating to appointment of Directors.

### BOARD DIVERSITY POLICY

Our Board has adopted a board diversity policy which sets out the approach to achieve diversity on our Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in supporting the attainment of our Company’s strategic objectives and sustainable development. Our Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on our Board.

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## DIRECTORS AND SENIOR MANAGEMENT

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Our Directors have a balanced mix of knowledge, skills experiences, including overall strategic decisions, global shipping and logistics services, accounting and auditing, education and academic research, corporate and business management consulting, mechatronic engineering and information technology. Members of our board have obtained degrees in various majors including business administration, industrial foreign trade, computer science and applications, precision machinery and instrument manufacturing engineering, mechatronic engineering, mechanical manufacturing and automation, auditing and administrative management. Furthermore, the ages of our Directors range from 36 years old to 53 years old.

Our Directors recognize the particular importance of gender diversity and that gender diversity at the Board level can be improved given its current composition of two female Directors and five male Directors. Nevertheless, with a view to developing a pipeline of potential successors to our Board that may meet the target gender diversity, our Group will (i) continue to apply the principle of appointments based on merits with reference to board diversity as a whole; (ii) take steps to promote gender diversity at all levels of our Group by recruiting staff at a mid to senior level with regard to the benefits of gender diversity; and (iii) engage more resources in training female staff who we consider having the suitable experience, skills and knowledge for our business to equip themselves with the attributes and competencies required to serve as members of our Board in light of our strategic needs and the industry in which we operate with the aim of promoting them to our Board in a few years’ time.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. After [REDACTED], our nomination committee will review our board diversity policy and its implementation from time to time to monitor its continued effectiveness and we will disclose the implementation of our board diversity policy, including any measurable objectives set for implementing the board diversity policy and the progress on achieving these objectives, in our corporate governance report on an annual basis.

## CORPORATE GOVERNANCE

We recognize the importance of incorporating elements of good corporate governance in our management structure and internal control procedures so as to achieve effective accountability.

We have adopted the code provisions stated in the CG Code. We are committed to the view that the Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board that can effectively exercise independent judgment.

Pursuant to paragraph C.2.1 of Part B of the CG Code as set out in Appendix 14 to the Listing Rules, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The role of chairman of our Board and chief executive officer of our Company are both performed by Mr. Xu. Our Board believes that vesting the roles of both chairman of our Board and chief executive officer in the same individual would enable our Company to achieve higher responsiveness, efficiency and effectiveness when

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## DIRECTORS AND SENIOR MANAGEMENT

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formulating business strategies and executing business plans. Furthermore, in view of Mr. Xu’s extensive industrial experience and significant role in the historical development of our Group, our Board believes that it is beneficial to the business prospects of our Group that Mr. Xu continues to act as both our chairman of our Board and chief executive officer after [REDACTED], and the balance of power and authority is sufficiently maintained by the operation of our Board, comprising the executive Directors and independent non-executive Directors.

### COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of our senior management receive compensation in the form of salaries, allowances and other benefits in kind such as contributions to pension plans.

The aggregate remuneration (including fees, salaries, allowances and benefits in kind, performance-related bonuses and pension scheme contributions and social welfare) paid or payable to our Directors for each of the three years ended December 31, 2022 was approximately RMB1,007,000, RMB2,496,000 and RMB3,705,000, respectively. Save as disclosed in this paragraph, no other amounts have been paid or are payable by any member of our Group to our Directors for each of the three years ended December 31, 2022.

The aggregate remuneration (including salaries, allowances and benefits in kind, performance related bonuses and pension scheme contributions and social welfare) paid or payable to our five highest paid individuals in respect of each of the three years ended December 31, 2022 was approximately RMB1,428,000, RMB3,989,000 and RMB6,287,000, respectively.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of each of the three years ended December 31, 2022. Further, none of our Directors had waived or agreed to waive any remuneration during the same periods.

Under the arrangement currently in force, the aggregate remuneration (including salaries, housing allowance, contributions to a retirement benefit scheme, other allowance and benefits in kind) to our Directors for the year ending December 31, 2023 is estimated to be no more than approximately RMB2.88 million.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management officers with, following the [REDACTED], the benefit of recommendations from the Remuneration Committee. Our Remuneration Committee will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

## DIRECTORS AND SENIOR MANAGEMENT

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### COMPLIANCE ADVISOR

In compliance with Rule 3A.19 of the Listing Rules, we have appointed Dongxing Securities (Hong Kong) Company Limited as our compliance advisor to provide advisory services to our Company. We expect that the compliance advisor will, amongst other things, advise our Company with due care and skill in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including shares issues and share buybacks;
- where we are propose to use the [REDACTED] from the [REDACTED] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate, or other information in this document; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of appointment of our compliance advisor shall commence on the [REDACTED] and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the [REDACTED].

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## FINANCIAL INFORMATION

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*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

We are a privately owned cross-border seaborne logistics service provider in China with self-operated cross-border seaborne transportation service. The cross-border logistics service market in China is fragmented with the top 15 service providers holding only an aggregate 12.2% market share in terms of revenue in 2022. We ranked 15th with an approximately 0.2% market share in terms of revenue in 2022. With our integrated service capabilities, flexible business model and internet service system, we provide one-stop cross-border logistics solutions to customers. 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.

During the Track Record Period, 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. 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.

### 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.

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### **Market Demand for Our Cross-Border Logistics Services**

During the Track Record Period, 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. 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 during the Track Record Period. 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.



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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. We could achieve higher gross profit margins because when we provide service by ourselves, we can better utilize our own shipping capacity in shipping arrangement and optimize our margin. In addition, we can save the freight fees we would have to pay to the third-party shipping companies and control the overall cost more effectively.

The successful operation and development of self-operated cross-border seaborne transportation service are critical to our business. Our self-operated cross-border seaborne transportation operates between China and overseas countries, such as the United States, Canada, Mexico, the Netherlands, Australia, Japan, Vietnam and Indonesia. In the future, we will continue to enhance our competitiveness in the cross-border logistics industry by promoting the efficiency of our self-operated cross-border seaborne transportation and making adjustments based on market demand flexibly.

### **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:

- ***Timely investing in mission-critical logistics assets.*** As of December 31, 2022, we had a fleet of four self-owned vessels and three chartered-in vessels with a total capacity of 13,095 TEUs. The flexible fleet structure strengthens our ability to deliver consignments on time. 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.

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### **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% and 93.0% of our cost of sales in 2020, 2021 and 2022, respectively. 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.

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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 at December 31, 2020, 2021 and 2022 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 in absolute amounts and as a percentage of our revenue for the years indicated:

	Year ended December 31,					
	2020		2021		2022	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	<i>(RMB in thousands, except percentages)</i>					
<b>Revenue</b>	781,524	100.0	4,195,393	100.0	4,607,929	100.0
Cost of sales	(717,738)	(91.8)	(3,738,556)	(89.1)	(4,062,629)	(88.2)
<b>Gross profit</b>	63,786	8.2	456,837	10.9	545,300	11.8
Other income and gains, net	9,819	1.3	23,731	0.7	9,507	0.2
Selling and distribution expenses	(9,839)	(1.3)	(14,686)	(0.4)	(18,608)	(0.4)
Administrative expenses	(28,914)	(3.7)	(49,816)	(1.2)	(87,141)	(1.9)
Other expenses	(84)	(0.0) <sup>(1)</sup>	(4,154)	(0.1)	(3,396)	(0.1)
Finance costs	(3,809)	(0.5)	(8,033)	(0.2)	(4,827)	(0.1)
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)

## FINANCIAL INFORMATION

	Year ended December 31,					
	2020		2021		2022	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	<i>(RMB in thousands, except percentages)</i>					
Share of profits and losses of associates	281	0.0 <sup>(1)</sup>	5,960	0.1	(159)	(0.0) <sup>(1)</sup>
<b>Profit before tax</b>	30,105	3.9	407,723	9.7	395,383	8.6
Income tax expense	(2,565)	(0.4)	(15,685)	(0.4)	(9,076)	(0.2)
<b>Profit for the year</b>	27,540	3.5	392,038	9.3	386,307	8.4
Attributable to:						
Owners of the parent	25,521	3.2	384,085	9.1	380,944	8.3
Non-controlling interests	2,019	0.3	7,953	0.2	5,363	0.1
	27,540	3.5	392,038	9.3	386,307	8.4

Note:

(1) Less than 0.05%.

### NON-IFRS MEASURES

We define adjusted net profit (non-IFRS measure) as profit for the year adjusted by adding back [REDACTED]. We exclude such item primarily because [REDACTED] is related to the [REDACTED] of our Company and one-off in nature. We define adjusted EBITDA (non-IFRS measure) as profit for the year adjusted by deducting interest income, and adding back (i) [REDACTED], which relate to the [REDACTED] of our Company and are one-off in nature; (ii) finance costs; (iii) income tax expenses, and (iv) depreciation and amortization, which are non-cash in nature. We believe such non-IFRS measures facilitate the evaluation of our operating performance without the impact of its capital structure, tax impact and non-cash expenses from period to period. 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.

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	Year ended December 31,		
	2020	2021	2022
	<i>(RMB in thousands)</i>		
<b>Profit for the year</b>	27,540	392,038	386,307
Add:			
[REDACTED]	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
<b>Adjusted net profit (non-IFRS measure)</b>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Less:			
Interest income	889	177	2,081
Add:			
Depreciation of property, plant and equipment	6,056	26,986	34,566
Depreciation of right-of-use assets	2,044	2,564	4,434
Amortization of intangible assets	913	642	375
Finance costs	3,809	8,033	4,827
Income tax expense	<u>2,565</u>	<u>15,685</u>	<u>9,076</u>
<b>Adjusted EBITDA (non-IFRS measure)</b>	<u>42,038</u>	<u>455,771</u>	<u>459,974</u>

## FINANCIAL INFORMATION

### 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 much lesser extent, time charter services. The table below sets forth a breakdown of our revenue by business line for the years indicated:

	Year ended December 31,					
	2020		2021		2022	
	Amount	% of total	Amount	% of total	Amount	% of total
	<i>(RMB in thousands, except percentages)</i>					
<b>Cross-border logistics services</b>						
– cross-border seaborne transportation operated by us						
Self-owned vessels	–	–	140,014	3.3	324,824	7.0
Chartered-in vessels	–	–	1,798,962	42.9	2,278,226	49.5
	–	–	1,938,976	46.2	2,603,050	56.5
– cross-border seaborne transportation provided by third parties	743,475	95.1	2,149,101	51.2	1,786,125	38.8
<b>Cross-border logistics services – subtotal</b>	743,475	95.1	4,088,077	97.4	4,389,175	95.3
<b>Time charter services</b>						
– Self-owned vessels	35,450	4.5	63,964	1.5	183,413	4.0
– Chartered-in vessels	–	–	43,352	1.1	35,341	0.7
	35,450	4.5	107,316	2.6	218,754	4.7
<b>Others<sup>(1)</sup></b>	2,599	0.4	–	–	–	–
<b>Total</b>	781,524	100.0	4,195,393	100.0	4,607,929	100.0

*Note:*

- (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.

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### *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% and 95.3% of our total revenue in 2020, 2021 and 2022, 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. During the Track Record Period, the cross-border seaborne transportation provided by third parties accounted for 100.0%, 52.6% and 40.7% of our revenue from cross-border logistics services in 2020, 2021 and 2022, respectively; while the self-operated cross-border seaborne transportation accounted for nil, 47.4% and 59.3% of our revenue from cross-border logistics services in 2020, 2021 and 2022, respectively.



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The following table sets forth a breakdown of our revenue in cross-border logistics services by continent of destination for the years indicated:

	Year ended December 31,					
	2020		2021		2022	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB in thousands, except percentages)					
<b>Cross-border seaborne transportation operated by us</b>						
China-Americas	–	–	1,665,761	40.7	2,042,557	46.5
China-Europe	–	–	174,596	4.3	–	–
China-Australia	–	–	94,327	2.3	205,385	4.7
China-Asia	–	–	4,292	0.1	355,108	8.1
	–	–	1,938,976	47.4	2,603,050	59.3
<b>Cross-border seaborne transportation provided by third parties</b>	743,475	100.0	2,149,101	52.6	1,786,125	40.7
<b>Total</b>	743,475	100.0	4,088,077	100.0	4,389,175	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 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.

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.

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- 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.

### *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% and 4.7% of our total revenue in 2020, 2021 and 2022, 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 in absolute amounts and as a percentage of our cost of sales for the years indicated:

		Year ended December 31,					
		2020		2021		2022	
		Amount	% of total	Amount	% of total	Amount	% of total
<i>(RMB in thousands, except percentages)</i>							

#### **Cross-border logistics services**

– Cross-border seaborne transportation operated by us							
Vessel chartering costs	–	–	736,112	19.7	1,029,513	25.3	
Port charges	–	–	248,413	6.6	391,546	9.6	
Container costs	–	–	351,396	9.4	266,614	6.6	
Bunker costs	–	–	162,443	4.3	392,835	9.7	
Cargo transportation costs	–	–	10,491	0.3	83,089	2.0	
Depreciation and amortization	–	–	16,690	0.5	24,370	0.6	
Others	–	–	42,412	1.1	48,726	1.2	
	–	–	1,567,957	41.9	2,236,693	55.0	
– Cross-border seaborne transportation provided by third parties							
Freight fees	563,547	78.5	1,876,411	50.2	1,590,794	39.2	
Port charges	71,843	10.0	126,818	3.4	97,628	2.4	

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	Year ended December 31,					
	2020		2021		2022	
	Amount	% of total	Amount	% of total	Amount	% of total
	<i>(RMB in thousands, except percentages)</i>					
Container costs	6,124	0.9	13,812	0.4	7,542	0.2
Cargo transportation costs	32,940	4.6	52,315	1.4	23,298	0.6
Depreciation and amortization	1,987	0.2	5,309	0.1	2,444	0.1
Others	15,647	2.2	17,348	0.5	19,599	0.4
	692,088	96.4	2,092,013	56.0	1,741,305	42.9
<b>Cross-border logistics services - subtotal</b>	<b>692,088</b>	<b>96.4</b>	<b>3,659,970</b>	<b>97.9</b>	<b>3,977,998</b>	<b>97.9</b>
<b>Time charter services</b>	23,592	3.3	78,586	2.1	84,631	2.1
<b>Others</b>	2,058	0.3	–	–	–	–
<b>Total</b>	717,738	100.0	3,738,556	100.0	4,062,629	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.

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.

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### 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 years indicated:

	Year ended December 31,					
	2020		2021		2022	
	<i>Gross Profit</i>	<i>Gross Profit Margin</i>	<i>Gross Profit</i>	<i>Gross Profit Margin</i>	<i>Gross Profit</i>	<i>Gross Profit Margin</i>
<i>(RMB in thousands, except percentages)</i>						
<b>Cross-border logistics services</b>						
– cross-border seaborne transportation operated by us						
Self-owned vessels	–	–	50,152	35.8	140,317	43.2
Chartered-in vessels	–	–	320,867	17.8	226,040	9.9
	–	–	371,019	19.1	366,357	14.1
– cross-border seaborne transportation provided by third parties	51,387	6.9	57,088	2.7	44,820	2.5
<b>Cross-border logistics services-subtotal/overall</b>	51,387	6.9	428,107	10.5	411,177	9.4
<b>Time charter services</b>						
– Self-owned vessels	11,858	33.4	15,234	23.8	138,689	75.6
– Chartered-in vessels	–	–	13,496	31.1	(4,566)	(12.9)
	11,858	33.4	28,730	26.8	134,123	61.3
<b>Others</b>	541	20.8	–	–	–	–
<b>Total/Overall</b>	63,786	8.2	456,837	10.9	545,300	11.8

#### *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

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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 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 from 2.7% and 2.5% in 2021 and 2022, respectively.

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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 years indicated:

	Year ended December 31,					
	2020		2021		2022	
	<i>Gross</i>	<i>Gross</i>	<i>Gross</i>	<i>Gross</i>	<i>Gross</i>	<i>Gross</i>
	<i>Profit</i>	<i>Profit</i>	<i>Profit</i>	<i>Profit</i>	<i>Profit</i>	<i>Profit</i>
	<i>Margin</i>	<i>Margin</i>	<i>Margin</i>	<i>Margin</i>	<i>Margin</i>	<i>Margin</i>
	<i>(RMB in thousands, except percentages)</i>					
<b>Cross-border seaborne transportation operated by us</b>						
China-Americas	–	–	320,572	19.2	285,042	14.0
China-Europe	–	–	37,574	21.5	–	–
China-Australia	–	–	11,239	11.9	(6,657)	(3.2)
China-Asia	–	–	1,634	38.1	87,972	24.8
	–	–	371,019	19.1	366,357	14.1
<b>Cross-border seaborne transportation provided by third parties</b>						
	51,387	6.9	57,088	2.7	44,820	2.5
<b>Total/Overall</b>	<u>51,387</u>	6.9	<u>428,107</u>	10.5	<u>411,177</u>	9.4

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.

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- *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*

Our gross profit margin of time charter services decreased from 33.4% in 2020 to 26.8% in 2021, primarily because the vessel chartering fees charged to our customers for two vessels were fixed by long-term agreements we entered in 2020, and our costs for such vessels increased in 2021 due to market conditions.

Our gross profit margin of time charter services increased from 26.8% in 2021 to 61.3% in 2022, primarily due to increased average daily charter rates pursuant to the new 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 adaptations to control costs or increase price level promptly.



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### 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, in absolute amounts and as percentages of our total other income and gains for the years indicated:

	Year ended December 31,					
	2020		2021		2022	
	Amount	% of total	Amount	% of total	Amount	% of total
<i>(RMB in thousands, except percentages)</i>						
Gain on disposal of property, plant and equipment	7,834	79.8	18,442	77.8	–	–
Gain on disposal of a subsidiary	–	–	1,724	7.3	–	–
Government grants	410	4.2	81	0.3	571	6.0
Interest income	889	9.1	177	0.7	2,081	21.9
Foreign exchange gains	201	2.0	–	–	6,803	71.6
Gain on disposal of associates	100	1.0	3,277	13.8	–	–
Others	385	3.9	30	0.1	52	0.5
<b>Total</b>	<b>9,819</b>	<b>100.0</b>	<b>23,731</b>	<b>100.0</b>	<b>9,507</b>	<b>100.0</b>

### 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 a percentage of our selling and distribution expenses for the years indicated:

	Year ended December 31,					
	2020		2021		2022	
	Amount	% of total	Amount	% of total	Amount	% of total
<i>(RMB in thousands, except percentages)</i>						
Salaries and welfare	7,245	73.6	11,975	81.6	17,618	94.7
Travel expenses	1,718	17.5	2,103	14.3	305	1.6
Others <sup>(1)</sup>	876	8.9	608	4.1	685	3.7
<b>Total</b>	<b>9,839</b>	<b>100.0</b>	<b>14,686</b>	<b>100.0</b>	<b>18,608</b>	<b>100.0</b>

Note:

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

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### 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 a percentage of our administrative expenses, for the years indicated:

	Year ended December 31,					
	2020		2021		2022	
	Amount	% of total	Amount	% of total	Amount	% of total
	<i>(RMB in thousands, except percentages)</i>					
Salaries and welfare	14,220	49.1	31,301	62.9	35,953	41.3
[REDACTED]	–	–	–	–	[REDACTED]	[REDACTED]
Consulting fees	1,464	5.1	3,184	6.4	8,001	9.2
Depreciation and amortization	3,271	11.3	3,084	6.2	7,953	9.1
Office expenses and travel expenses	6,213	21.5	6,743	13.5	7,173	8.2
Others <sup>(1)</sup>	3,746	13.0	5,504	11.0	5,591	6.4
<b>Total</b>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

Note:

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

### Other Expenses

In 2020 and 2021, our other expenses primarily represented foreign exchange losses. In 2022, 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 and RMB3.4 million in 2020, 2021 and 2022, respectively.

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### 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 a percentage of our finance costs, for the years indicated:

	Year ended December 31,					
	2020		2021		2022	
	Amount	% of total	Amount	% of total	Amount	% of total
	<i>(RMB in thousands, except percentages)</i>					
Interest expense on bank and other borrowings	3,431	90.1	7,599	94.6	4,372	90.6
Interest expense on lease liabilities	378	9.9	434	5.4	455	9.4
<b>Total</b>	<b>3,809</b>	<b>100.0</b>	<b>8,033</b>	<b>100.0</b>	<b>4,827</b>	<b>100.0</b>

### 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 and RMB8.8 million in 2020, 2021 and 2022, 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 in 2022.

## FINANCIAL INFORMATION

### Income Tax Expense

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

	Year ended December 31,		
	2020	2021	2022
	<i>(RMB in thousands)</i>		
Current tax:			
Mainland China	611	11,684	8,598
Hong Kong	1,797	3,887	857
Deferred tax credit	157	114	(379)
<b>Total income tax expense for the year</b>	<b>2,565</b>	<b>15,685</b>	<b>9,076</b>

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, our effective tax rates, calculated as income tax expense divided by profit before tax, were 8.5%, 3.8% and 2.3%, respectively.

### *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.

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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 not commenced the preparation of tax filing for the tax year 2022. We received tax return for the tax year 2022 in April 2023 and expect to file such tax return by August 2023.

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 without 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. As of 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.

### *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%.

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### DISCUSSION OF RESULTS OF OPERATIONS

#### 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 to 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.

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*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.* Our gross profit of cross-border logistics services decreased from RMB428.1 million in 2021 to RMB411.2 million in 2022. Our gross profit margin of 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.



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- *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.* Our gross profit of time charter services increased significantly from RMB28.7 million in 2021 to RMB134.1 million in 2022. Our gross profit margin of time charter services increased significantly from 26.8% in 2021 to 61.3% in 2022, mainly due to the increased average daily charter rates, 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 out 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 incurrence of [REDACTED] 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 out of our total revenue increased from 1.2% in 2021 to 1.9% in 2022.

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### *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.

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### *Income tax expense*

Our income tax expense decreased from RMB15.7 million 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 incurrence of [REDACTED], 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.

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*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 in the time charter services business line 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.

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### *Gross profit and gross profit margin*

Our gross profit increased significantly by 616.2% 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.* Our gross profit of cross-border logistics services increased from RMB51.4 million in 2020 to RMB428.1 million in 2021. Our gross profit margin of 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.* Our gross profit of time charter services increased from RMB11.9 million in 2020 to RMB28.7 million in 2021. Our gross profit margin of time charter services decreased from 33.4% in 2020 to 26.8% in 2021, primarily because the vessel chartering fee charged to our customers for two vessels were fixed by long-term agreements we entered into in 2020, and our costs for such vessels increased in 2021 according to market conditions.

### *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 out of our total revenue decreased from 1.3% in 2020 to 0.4% in 2021 primarily because our revenue increased significantly in 2021.

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### *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 out 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.

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### *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 years indicated:

	Years ended December 31,		
	2020	2021	2022
	<i>(RMB in thousands)</i>		
Net cash flows from operating activities	50,908	504,943	585,347
Net cash flows used in investing activities	(31,578)	(395,215)	(346,991)
Net cash flows (used in)/from financing activities	(3,282)	32,402	(109,121)
<b>Net increase in cash and cash equivalents</b>	16,048	142,130	129,235
Cash and cash equivalents at beginning of year	32,147	50,669	190,005
Effect of foreign exchange rate changes, net	2,474	(2,794)	20,751
<b>Cash and cash equivalents at end of year</b>	50,669	190,005	339,991



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### *Net cash flows from operating activities*

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 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.

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### *Net cash flows (used in)/from financing activities*

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
	2020	2021	2022	March 31, 2023
	<i>(RMB in thousands)</i>			<i>(Unaudited)</i>
<b>Current assets</b>				
Inventories	3,327	17,039	6,598	2,332
Assets held for sale	–	–	86,557	78,523
Trade receivables	117,312	311,287	149,140	144,781
Due from related parties	205	122	631	119
Prepayments and other receivables	14,458	317,792	49,276	47,552
Income tax recoverable	–	–	118	408
Financial assets at fair value through profit or loss	–	3,300	6,368	6,368
Cash and bank balance	50,669	190,006	339,991	172,733
<b>Total current assets</b>	<b>185,971</b>	<b>839,546</b>	<b>638,679</b>	<b>452,816</b>
<b>Current liabilities</b>				
Trade payables	143,613	453,118	336,390	293,889
Other payables and accruals	23,768	83,373	126,793	122,659
Due to related parties	297	3,097	9,711	–
Interest-bearing bank and other borrowings	30,625	67,097	27,514	26,849
Tax payable	3,592	16,567	1,263	1,132
Lease liabilities	2,845	2,915	3,399	4,033
<b>Total current liabilities</b>	<b>204,740</b>	<b>626,167</b>	<b>505,070</b>	<b>448,562</b>
<b>Net current assets</b>	<b>(18,769)</b>	<b>213,379</b>	<b>133,609</b>	<b>4,254</b>

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Our net current assets decreased from RMB133.6 million as of December 31, 2022 to RMB4.3 million as of March 31, 2023, primarily due to the decrease in cash and bank balances from RMB340.0 million as of December 31, 2022 to RMB172.7 million as of March 31, 2023 as a result of cash used for installment payments of for purchase of new vessels in January 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.

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.

### 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,		
	2020	2021	2022
	<i>(RMB in thousands)</i>		
Containers	24,679	163,889	292,668
Container vessels	88,741	84,708	89,537

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	As of December 31,		
	2020	2021	2022
	<i>(RMB in thousands)</i>		
Motor vehicles	852	3,482	4,837
Furniture and fixtures	116	308	1,106
Electronic equipment	473	855	942
Decoration and improvement	1,135	7,179	11,248
<b>Total</b>	<b>115,996</b>	<b>260,421</b>	<b>400,338</b>

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.

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

	2020	2021	2022
	<i>(RMB in thousands)</i>		
Opening balance of containers as of January 1	22,517	24,679	163,889
Addition during the year <sup>(1)</sup>	23,576	687,813	298,136
Transfer to assets held for sale	–	–	(124,126)
Disposal during the year:			
– Consideration received/receivables of containers disposed of	(25,848)	(544,568)	(34,257)
– Gain/loss on disposal of containers	7,835	18,286	(2,265)
Disposal during the year	(18,013)	(526,282)	(36,522)
Depreciation during the year	(1,987)	(21,770)	(23,818)
Exchange realignment	(1,414)	(551)	15,109
Closing balance of container as of December 31	<b>24,679</b>	<b>163,889</b>	<b>292,668</b>

*Note:*

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

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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. 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 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:

	2020	2021	2022
Number of container purchased	1,170	17,002	9,816
Consideration of the purchases <i>(RMB in thousands)</i>	23,576	687,813	298,136
Number of container disposed	1,224	13,307	1,226
Consideration of disposal <i>(RMB in thousands)</i>	25,848	544,568	34,257
Average holding period of containers disposed (days)	639	155	238

The average purchase price per container was approximately RMB20,000, RMB40,000 and RMB30,000 in 2020, 2021 and 2022, respectively. The average disposal consideration per container was approximately RMB21,000, RMB41,000 and RMB28,000 in 2020, 2021 and 2022, 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 were mainly attributable to the decrease in container market

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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 was approximately 639, 155 and 238 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 was approximately 12.9 years, 2.2 years and 3.3 years. 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 as market price of containers decreased. For details, see “—Assets Held for Sale.”

### **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.

### **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% and 14.7% in 2020, 2021 and 2022, respectively. The growth rates used to estimate cash flows beyond the five-year period were 3.0%, 2.3% and 2.3% as of December 31, 2020, 2021 and 2022, 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.

## FINANCIAL INFORMATION

### *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.

	2020	2021	2022
Long-term growth rate	3.0%	2.3%	2.3%
Discount rate	14.3%	14.6%	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:

	2020	2021	2022
	<i>(RMB in thousands)</i>		
Headroom	15,034	18,084	7,154
Impact by long-term growth rate	(2,021)	(2,087)	(1,595)
Impact by increasing pre-tax discount rate	(3,241)	(3,383)	(2,593)

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.



## FINANCIAL INFORMATION

### Assets Held for Sale

We recorded assets held for sale of RMB86.6 million as of December 31, 2022, 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.

### 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:

	<b>As of December 31,</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>(RMB in thousands)</i>		
Trade receivables	122,490	317,660	164,979
Impairment	(5,178)	(6,373)	(15,839)
	117,312	311,287	149,140

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 shipping activities and freight rates in the last quarter of 2022.

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

	<b>As of December 31,</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>(RMB in thousands)</i>		
Within one month	93,377	261,424	42,050
One to three months	24,940	51,464	58,631
Three to six months	700	775	30,185
Six to 12 months	143	262	34,027
Over one year	3,330	3,735	86
	122,490	317,660	164,979
Impairment	(5,178)	(6,373)	(15,839)
<b>Total</b>	<b>117,312</b>	<b>311,287</b>	<b>149,140</b>

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## FINANCIAL INFORMATION

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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. Trade receivables aged over three months accounted for 3.4%, 1.5% and 39.0% of our gross trade receivables as of December 31, 2020, 2021 and 2022, respectively. Our trade receivables aged 3 to 12 months increased significantly as of December 31, 2022, which was primarily related to one customer (“Customer X”), the net exposure amount due from which had been individually assessed and fully provided. The trade receivable from Customer X amounted to RMB34.3 million as of December 31, 2022. As of the same date, we had trade payables due to Customer X of RMB23.2 million. Accordingly, we made provision for impairment loss of RMB11.1 million as of December 31, 2022, which represented the net amount due from Customer X. Excluding the trade receivable from Customer X which had been individually impaired as of December 31, 2022, the increase in our trade receivables aged 3 to 12 months from RMB1.0 million to RMB30.0 million was primarily attributable to the delay in settlements from certain other customers. 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 March 31, 2023, the trade receivable from Customer X as of December 31, 2022 remained unsettled and RMB22.2 million or 74.0% of the remaining trade receivables aged 3 to 12 months as of December 31, 2022, was subsequently settled. 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 year 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 25.0% of total trade receivables as of December 31, 2022, there is no significant concentration of credit risk.

As of March 31, 2023, RMB66.7 million or 44.7% of our trade receivables as of December 31, 2022, had been subsequently settled. The relatively low settlement rate was mainly attributable to (i) Customer X, which had trade receivables of RMB34.3 million as of December 31, 2022, details of such balance had been discussed in the paragraph above; and (ii) various cross-border logistics service customers of our Americas routes with trade receivables in aggregate amounting to RMB46.8 million as of December 31, 2022, which we were in the process of annual settlement to reconcile and confirm the final payment amounts for 2022. These trade receivables were all aged within three months. Up to March 31, 2023, trade receivables due from these customers remained unsettled. We had made provision of trade receivables for these customers on a group basis considering the aging of the balance. Our Directors are not aware of any material recoverability issue in respect of these customers after assessing individual conditions of these customers and expect such amounts will be settled in full.

## FINANCIAL INFORMATION

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

	Year ended December 31,		
	2020	2021	2022
Trade receivables turnover days <sup>(1)</sup>	51.1	18.6	18.2

*Note:*

- (1) Trade receivables turnover days for a year equals the average of opening and closing trade receivables balance divided by revenue for the relevant year and multiplied by the number of days in the relevant year, being 365 days.

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.

### 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. The following table sets forth our prepayments and other receivables as of the dates indicated:

	As of December 31,		
	2020	2021	2022
	<i>(RMB in thousands)</i>		
Prepayment	3,834	50,126	406,543
Prepaid [REDACTED]	–	–	[REDACTED]
Deposit	6,364	16,579	9,145
Consideration receivables for disposal			
of containers	–	246,523	1,392
Dividend receivable	–	835	835
Other tax recoverable	1,674	185	482

## FINANCIAL INFORMATION

	As of December 31,		
	2020	2021	2022
	<i>(RMB in thousands)</i>		
Consideration receivables for disposal of an associate and a subsidiary <sup>(1)</sup>	–	9,956	–
Others	3,265	4,880	1,718
	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Impairment allowance	(551)	(1,472)	(849)
	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

*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 further improve our operational efficiency and maintain stable shipping capacity, we entered into agreements to purchase 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. These vessels will also be able to operate on a variety of major routes with their good adaptability and help us achieve economies of scale to save costs. Relying on our enhanced shipping capacity, we will be able to attract new customers and achieve larger client base to carry on follow-on and in-depth development of cross-selling across different services including warehousing, customs clearance and transportation provided by us. The aggregate total contract price was US\$281 million. Pursuant to the agreements, we shall settle the contract price by four installments. As of December 31, 2022, we had settled the first installments, representing 20% of the total contract price.

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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.

As of March 31, 2023, RMB29.2 million or 6.8% of our prepayments and other receivables as of December 31, 2022, had been subsequently settled. The amount of prepayments and other receivables remained unsettled as of March 31, 2023 was mainly related to the prepayments for purchase of container vessels.

### 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,		
	2020	2021	2022
	<i>(RMB in thousands)</i>		
Bunkers <sup>(1)</sup>	–	15,919	4,403
Consumables and others	3,327	1,120	2,195
	<u>3,327</u>	<u>17,039</u>	<u>6,598</u>

*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.

As of March 31, 2023, all of our inventories as of December 31, 2022, had been subsequently consumed.

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## FINANCIAL INFORMATION

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### Financial Assets at Fair Value through Profit or Loss

We made certain 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, we had Financial Assets at Fair Value through Profit or Loss of RMB3.3 million and RMB6.4 million, respectively.

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.

## FINANCIAL INFORMATION

### 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 shipping activities and freight rates in the last quarter of 2022.

As of March 31, 2023, RMB115.9 million, or 34.5%, of our trade payables as of December 31, 2022, 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,		
	2020	2021	2022
	<i>(RMB in thousands)</i>		
Within one year	141,863	452,050	335,838
Over one year	1,750	1,068	552
<b>Total</b>	<b>143,613</b>	<b>453,118</b>	<b>336,390</b>

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

	As of December 31,		
	2020	2021	2022
Trade payables turnover days <sup>(1)</sup>	65.6	29.1	35.5

*Note:*

- (1) Trade payables turnover days for a year equals the average of opening and closing trade payables balance divided by cost of sales for the relevant year and multiplied by the number of days in the relevant year, being 365.

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.



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Our trade payables turnover days decreased from 65.6 days as of December 31, 2020 to 29.1 days as of December 31, 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 as of December 31, 2021 and 35.5 days as of December 31, 2022, which was generally in line with the credit periods granted to us by our suppliers.

### 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; and (vi) others, which primarily represents advances from customers for vessel chartering, payment in relation to a potential cooperation, contract deposit from counterparties to ensure their compliance with the relevant agreements and advance receipt for disposal of containers. The following table sets forth our other payables and accruals as of the dates indicated:

	As of December 31,		
	2020	2021	2022
	<i>(RMB in thousands)</i>		
Payables for purchase of container	–	6,084	45,432
Contract liabilities	7,769	39,265	19,585
Payroll and welfare payables	3,398	11,795	11,615
[REDACTED] payable	[REDACTED]	[REDACTED]	[REDACTED]
Deposits	1,765	4,610	6,000
Consideration payables	99	2,582	–
Other tax payables	69	1,005	405
Others <sup>(1)</sup>	10,668	18,032	36,565
<b>Total</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>

*Note:*

- (1) This primarily represents advances from customers for vessel chartering, payment in relation to a potential cooperation, contract deposit from counterparties to ensure their compliance with the relevant agreements and advance receipt for disposal of containers. The increase in others from December 31, 2020 to December 31, 2021 was mainly due to the increase in advances from customers for vessel chartering by RMB7.8 million. As of December 31, 2022, we recorded a higher balance compared to the balance as of December 31, 2021 primarily due to (i) a payment of RMB10.1 million (US\$1.45 million) by Independent Third Party related to a potential cooperation to jointly purchase a vessel recorded as of December 31, 2022. Such amount had been subsequently returned to the Independent Third Party in March 2023 as the cooperation did not proceed, (ii) an increase in advances from customers for vessel chartering by RMB4.6 million; and (iii) an advance receipt for disposal of containers of RMB4.4 million recorded as of December 31, 2022.

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

	As of December 31,		
	2020	2021	2022
	<i>(RMB in thousands)</i>		
Within one month	6,783	38,397	18,777
One to three months	986	868	808
<b>Total</b>	<b>7,769</b>	<b>39,265</b>	<b>19,585</b>

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 shipping activities at the relevant time. As of December 31, 2022, our contract liabilities decreased to RMB19.6 million, which was attributable to the decreased shipping activities in December 2022 as compared to December 2021.

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] 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.

As of March 31, 2023, all of our contract liabilities as of December 31, 2022, had been subsequently recognized as revenue.

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### 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
	2020	2021	2022	March 31, 2023
	<i>(RMB in thousands)</i>			<i>(Unaudited)</i>
Interest-bearing bank and other borrowings	44,153	90,040	66,930	62,497
Due to related parties <sup>(1)</sup>	265	3,096	9,711	–
Lease liabilities	4,430	5,031	7,989	9,189
<b>Total</b>	<b>48,848</b>	<b>98,167</b>	<b>84,630</b>	<b>71,686</b>

*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
	2020	2021	2022	March 31, 2023
	<i>(RMB in thousands)</i>			<i>(Unaudited)</i>
<b>Current</b>				
Bank loans – secured	12,000	10,004	10,000	10,000
Other loans – secured	–	5,095	–	–
Current portion of other long term loans				
– secured	18,625	51,998	17,514	16,849
	30,625	67,097	27,514	26,849
<b>Non-current</b>				
Other loans – secured	13,528	22,943	19,384	15,531
Other loans – unsecured	–	–	20,032	20,117
	13,528	22,943	39,416	35,648
<b>Total</b>	<b>44,153</b>	<b>90,040</b>	<b>66,930</b>	<b>62,497</b>

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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 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 and March 31, 2023, certain of our bank and other borrowings of up to RMB2.0 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 March 31, 2023, RMB4.0 million will be matured in September 2023, RMB3.0 million will be matured in November 2023 and the remaining RMB3.0 million will be matured 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.

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

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The effective interest rates of our bank borrowings were 3.8% to 4.6%, 3.7% to 3.9%, 3.7% and 3.7% per annum for the years ended December 31, 2020, 2021 and 2022 and the three months ended March 31, 2023, respectively. The effective interest rates of our other borrowings were 10.0%, 8.0% to 9.1%, 4.4% to 11.8% and 4.4% to 11.8% per annum for the years ended December 31, 2020, 2021 and 2022 and the three months ended March 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 March 31, 2023, we did not have any unutilized banking facilities.

### Due to related parties

As of December 31, 2020, 2021 and 2022 and March 31, 2023, our amount due to related parties of non-trade nature was RMB0.3 million, RMB3.1 million, RMB9.7 million and nil, respectively. All the related party balances which are non-trade in nature will be settled before the [REDACTED]. 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 March 31,
	2020	2021	2022	2023
	<i>(RMB in thousands)</i>			<i>(Unaudited)</i>
Current	2,845	2,915	3,399	4,033
Non-current	1,585	2,116	4,590	5,156
<b>Total</b>	4,430	5,031	7,989	9,189

As of December 31, 2020, 2021 and 2022 and March 31, 2023, our lease liabilities were RMB4.4 million, RMB5.0 million, RMB8.0 million and RMB9.2 million, respectively. These lease liabilities primarily related to lease contracts of our office premises.

## FINANCIAL INFORMATION

### CONTINGENT LIABILITIES

As of March 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 March 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:

	<b>As of and for the year ended December 31,</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
Gross profit margin <sup>(1)</sup>	8.2%	10.9%	11.8%
Adjusted EBITDA margin <sup>(2)</sup> (non-IFRS measure)	5.4%	10.6%	10.0%
Current ratio <sup>(3)</sup>	0.9	1.3	1.3
Gearing ratio <sup>(4)</sup>	41.7%	19.3%	8.6%
Return on equity <sup>(5)</sup>	29.1%	133.2%	56.3%
Return on total assets <sup>(6)</sup>	9.7%	53.7%	30.0%

*Notes:*

1. Gross profit margin is calculated by the gross profit divided by the revenue for the respective year 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 year 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 divided by the average of opening and closing total assets for the respective year and multiplied by 100%.

#### ***Gross Profit Margin***

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

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## FINANCIAL INFORMATION

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### *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. 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.

### *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.

### *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 and RMB620.5 million in the years ended December 31, 2020, 2021 and 2022, 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].



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## FINANCIAL INFORMATION

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### 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 and RMB1,512.1 million as of December 31, 2020, 2021 and 2022.

### 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, amounts due to related parties was RMB0.3 million, RMB3.1 million and RMB9.7 million, respectively, and amounts due from related parties was RMB0.2 million, RMB0.1 million and RMB0.6 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.

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## FINANCIAL INFORMATION

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### **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, 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.

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## FINANCIAL INFORMATION

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### 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 December 31, 2022, our Company did not have any distributable reserves.

[REDACTED]

Based on the [REDACTED] of HK\$[REDACTED] per Share, the total estimated [REDACTED] 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] 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] of RMB[REDACTED] million, of which RMB[REDACTED] million was recognized in our consolidated statements of profit or loss, and RMB[REDACTED] million was recognized as prepayments in our consolidated statements of financial position as of December 31, 2022 to be accounted for as a deduction from equity upon the [REDACTED]. Subsequent to the Track Record Period, we expect to further incur [REDACTED] 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] to be incurred subsequent to the Track Record Period 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 of RMB[REDACTED] million (HK\$[REDACTED] million). The [REDACTED] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

## **FINANCIAL INFORMATION**

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### **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 December 31, 2022, being the end date of our latest audited financial statements, and there had been no event since December 31, 2022 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.

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## FUTURE PLANS AND [REDACTED]

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### FUTURE PLANS

See “Business—Our strategies” for a detailed description of our future plans.

#### [REDACTED]

We estimate that we will receive [REDACTED] of approximately HK\$[REDACTED] million from the [REDACTED], after deducting the estimated [REDACTED] and other estimated [REDACTED] expenses payable by us in connection with the [REDACTED], assuming that an [REDACTED] of HK\$[REDACTED] per Share (being the [REDACTED] of the indicative [REDACTED] range stated in this document) and assuming that the [REDACTED] is not exercised.

We intend to use the [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- Approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used for setting up logistics facilities, including warehouses and container yards, purchasing trucks and investing in software systems for warehouse, order and transportation management in the next two years to enhance our integrated cross-border logistics services, particularly targeting cross-border e-commerce merchants, and to meet the needs of our expanding business operation, in accordance to the allocation below. We plan to set up logistics facilities in these countries as they are key destinations of our service network with high service volumes.
  - i. approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used to set up warehouses to promote our diversified services portfolio and meet our customers’ demands efficiently, including (i) HK\$[REDACTED] million in Los Angeles and New York area, the United States; (ii) HK\$[REDACTED] million in Manzanillo, Mexico; and (iii) HK\$[REDACTED] million in Shanghai, Ningbo, Shenzhen, Xiamen and Qingdao, China. These new warehouses will further enhance our warehousing capacity to store cargo before shipment and after arrival.
  - ii. approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used to set up container yards to facilitate container stevedoring services, stacking, picking-up and returning, as well as to provide storing site for truck frames, including (i) HK\$[REDACTED] million in Los Angeles and New York, the United States; and (ii) HK\$[REDACTED] million in Manzanillo, Mexico.
  - iii. approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used to purchase and operate trucks to better connect the supply chain and further guarantee our high performance rate, including (i) HK\$[REDACTED] million in Los Angeles and New York, the United States, for 10 truck heads and 50 truck frames in each city; and (ii) HK\$[REDACTED] million for 10 trucks in Manzanillo, Mexico. These new trucks will allow us to provide ground transportation services in overseas destinations by ourselves, and to complete last-mile deliveries on time.

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## FUTURE PLANS AND [REDACTED]

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- iv. approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used in connection with software systems, including (i) warehouse management system, through which we target to realize digitalized and intelligent warehouse management and enhance operational efficiency and risk control ability; (ii) order management system, through which we target to manage and track the orders dynamically and provide timely update; and (iii) transportation management system, through which we target to refine the allocation of trucks through the visualization of status, dynamics and trajectory.

We will use the additional logistics facilities in such locations to serve our customers with enhanced efficiency and timely delivery. The allocation was made considering revenue contribution during the Track Record Period and future growth expectation in cross-border logistics service markets in these countries. The China-Americas route was our major source of revenue during the Track Record Period, and will remain as the major source in the foreseeable future. In 2021 and 2022, revenue from our self-operated China-Americas routes accounted for 85.9% and 78.5% of revenue from self-operated seaborne transportation in 2021 and 2022, respectively. As such, we allocated a large portion of the [REDACTED] from the [REDACTED] to enhance our warehousing, container yard and ground transportation resources in the Americas.

- Approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used for expanding our business coverage and global network. We plan to expand our integrated cross-border logistics service network by establishing branches and joint venture companies in key port cities and inland cities with active e-commerce business operation in other countries or regions we deem to have high growth potential by renting offices and recruiting employees, including the functions of operations and customer services, sales and marketing and finance and administration. In particular, in the next two years, we plan to invest (i) HK\$[REDACTED] million in expanding the business operations of our subsidiaries in Los Angeles, the United States; (ii) HK\$[REDACTED] million in establishing a joint venture company in Manzanillo, Mexico; (iii) HK\$[REDACTED] million in the business operation of our subsidiary in Melbourne, Australia, (iv) HK\$[REDACTED] million in the business operation of our subsidiary in Singapore; and (v) HK\$[REDACTED] million in the business operation of our subsidiary in Ho Chi Minh City, Vietnam. We plan to expand our business coverage and global network in these countries to provide the necessary logistics support functions and facilitate the business development with potential customers. The allocation was made considering the future growth in cross-border logistics service markets in these countries and the necessity of additional efforts in further strengthening our subsidiaries.

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## FUTURE PLANS AND [REDACTED]

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- Approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used for adopting digital technologies and upgrading internet service systems in providing integrated cross-border logistics services. The allocation for the existing websites and technology systems was made considering the rapid growth of our business and digitalization process of the cross-border logistics industry for efficiency improvement. Our detailed objectives in adopting digital technologies and upgrading internet service systems are set forth below:
  - i. approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used to upgrade our existing websites, including Lcang.com (樂艙網) and the website of Sijin International (絲金國際). We aim to optimize the online account system, customer interaction interface and online tracking experience of Lcang.com (樂艙網). We also plan to expand functions of our sales portal on Lcang.com (樂艙網), in particular to meet the specific needs for punctual and safety delivery of e-commerce customers. We aim to expand our scope of services offered on the website of Sijin International (絲金國際). For example, we plan to allow customers to make real time online orders for ground transportation, warehousing and customs declaration. We also plan to set up a featured system for membership points, through which our customers may claim rewards and discount.
  - ii. approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used to upgrade and maintain our existing technology systems, including our ERP systems and mobile applications to improve our working efficiency and service quality. To support the expansion of our e-commerce customers, we plan to establish an ERP system for e-commerce related cross-border logistics services. We also plan to integrate the business, finance and OA systems within the Group, so that data can be shared smoothly among different departments. In addition, we will set up a document sharing and management system for vessel certificates and related documents, so that we can track all such documents efficiently and manage them in a unified manner.
  - iii. approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used to invest in automation technologies to improve the operating efficiency of our logistics facilities. In particular, we aim to increase the utilization of intellectual technologies to achieve automatic identification, recording and verification of bills of lading. We plan to build in intelligent customer services onto our websites to provide automatic and real-time responses. We also plan to enhance automation feature of our warehousing services to achieve an automatic parcel identification, detection and sorting process.



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## FUTURE PLANS AND [REDACTED]

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- iv. approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used to invest in big data analysis to realize data mining, remote monitoring, real-time warning and predictive analytics through collectively managing, monitoring and analyzing the data stored in different systems. Through the data collected, we aim to achieve automatic analysis of navigation data, obtain early warning of abnormal activities and strengthen the daily management of our vessels. In addition, we aim to carry out unified management of customer account through the automation system, so that we may promptly notice payment status of our customers and release their cargo in due course.
- v. approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used to upgrade our intelligent risk control platform, in particular, we plan to improve decision-making capabilities by expanding the application of big data and artificial intelligence technology to flexibly define risk indicators and models, realize real-time monitoring of major operational risks and early risk warning. Through the intelligent risk control platform, we aim to identify customer and supplier risks in relation to their respective operational status to avoid risks.
- Approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used for strategic investments and/or acquisitions in businesses or assets that complement our business, although as of the Latest Practicable Date, we had no commitments or agreements to enter into any acquisitions or investments.

We have identified the following criteria of potential acquisition targets: (i) the target should have established global operational network; (ii) its business should generate strong synergies with our business operations, such as logistics companies; and (iii) the acquisition should help us improve competitiveness and profitability in cross-border logistics service market. The industry of our potential acquisition targets is fragmented and the number of possible targets could range from hundreds to thousands depending on size of the countries or regions. According to Frost & Sullivan, there are available targets that meet the selection criteria in the market, and it is estimated that there could be over 5,000 of potential targets. We believe there are sufficient number of potential targets that meet the above criteria in the market.

Although the acquisition target should have established a global network, we may choose to acquire its regional business or asset, rather than the entire global presence, to generate synergies with our business operation. If the portion of net proceeds from the [REDACTED] is not sufficient to cover a proposed investment or acquisition, we will use our own funding generated from operation to cover the shortfall.

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## FUTURE PLANS AND [REDACTED]

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- Approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used for establishing a non-truck operating carrier platform in China, which connects customers in need of truck transportation service provider to truck owners with such transportation capacity. We plan to establish the non-truck operating carrier platform to support our existing cross-border logistics service business line and enhance our competitiveness in the cross-border logistics service market. Through this platform, we seek to quickly integrate available truck resources in the market and analyze their respective transportation capacity. The non-truck operating carrier platform will monitor customer inquiries and truck availability to enhance the utilization rates of the trucks. It will dispatch trucks to the nearest customer with needs to ensure stable ground transportation capacity. Relying on the intelligence feature of the non-truck operating carrier platform, we aim to offer truck options with better price and earlier availability than other platforms to attract new customers.

As advised by our PRC Legal Advisors, the operation of non-truck operating carrier platform requires us to obtain the Operation License for Road Transportation through Internet Platforms. We are also required to comply with the Measures for the Administration of Internet Information Services (互聯網信息服務管理辦法) and possess the capabilities to keep the entire tracking record and perform information interaction processing to support the relevant online services. As confirmed by our PRC Legal Advisors, we have obtained the Operation License for Road Transportation through Internet Platforms and the Electronic Data Interchange License for carrying out non-truck operating carrier business. Our Directors confirm, and the PRC Legal Advisors is of the view that, based on the current legal framework, we have obtained the requisite licenses to carry out non-truck operating carrier platform so long as there is no change to the current legal framework. We also possess the capabilities to keep the entire tracking record and perform information interaction processing.

- Approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used for general corporate purposes and working capital needs.

The above allocation of the [REDACTED] from the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the [REDACTED] of the estimated [REDACTED] range.

If the [REDACTED] is exercised in full, the [REDACTED] that we will receive will be approximately HK\$[REDACTED] million, assuming an [REDACTED] of HK\$[REDACTED] per Share (being the [REDACTED] of the indicative [REDACTED] range). In the event that the [REDACTED] is exercised, we intend to apply the additional [REDACTED] to the above purposes on a pro rata basis.

If the [REDACTED] of the [REDACTED] are not immediately applied to the above purposes, we will only deposit those [REDACTED] into short-term interest-bearing accounts at (i) licensed commercial banks in Hong Kong or the PRC, and/or (ii) other authorized financial institutions (as defined under the SFO) in Hong Kong.

**[REDACTED]**

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## APPENDIX I

## ACCOUNTANTS’ REPORT

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*The following is the text of a report on LC Logistics, Inc., prepared for the purpose of incorporation in this document received from the reporting accountants of our Company, Ernst & Young, Certified Public Accountants, Hong Kong.*

*[To insert the firm’s letterhead]*

### **ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF LC LOGISTICS, INC. AND CITIC SECURITIES (HONG KONG) LIMITED AND ABCI CAPITAL LIMITED**

#### **Introduction**

We report on the historical financial information of **LC Logistics, Inc.** (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-69, which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2020, 2021 and 2022 (the “Relevant Periods”), and the consolidated statements of financial position of the Group as at 31 December 2020, 2021 and 2022 and the statement of financial position of the Company as at 31 December 2022, and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-69 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the “Document”) in connection with the [REDACTED] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

#### **Directors’ responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

#### **Reporting accountants’ responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2020, 2021 and 2022 and of the Company as at 31 December 2022, and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

**Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

*Adjustments*

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

*Dividends*

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

**No historical financial statements for the Company**

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

[●]

*Certified Public Accountants*

Hong Kong

[●]

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**APPENDIX I**

**ACCOUNTANTS’ REPORT**

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**I HISTORICAL FINANCIAL INFORMATION**

**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “Underlying Financial Statements”).

The Historical Financial Information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

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**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS**

	<i>Notes</i>	<b>2020</b> <i>RMB’000</i>	<b>2021</b> <i>RMB’000</i>	<b>2022</b> <i>RMB’000</i>
<b>REVENUE</b>	5	781,524	4,195,393	4,607,929
Cost of sales		(717,738)	(3,738,556)	(4,062,629)
<b>GROSS PROFIT</b>		63,786	456,837	545,300
Other income and gains, net	5	9,819	23,731	9,507
Selling and distribution expenses		(9,839)	(14,686)	(18,608)
Administrative expenses		(28,914)	(49,816)	(87,141)
Other expenses		(84)	(4,154)	(3,396)
Finance costs	7	(3,809)	(8,033)	(4,827)
Impairment losses of assets held for sale		–	–	(36,450)
Impairment losses on financial assets		(1,135)	(2,116)	(8,843)
Share of profits and losses of associates		281	5,960	(159)
<b>PROFIT BEFORE TAX</b>		30,105	407,723	395,383
Income tax expense	10	(2,565)	(15,685)	(9,076)
<b>PROFIT FOR THE YEAR</b>		<u>27,540</u>	<u>392,038</u>	<u>386,307</u>
Attributable to:				
Owners of the parent		25,521	384,085	380,944
Non-controlling interests		2,019	7,953	5,363
		<u>27,540</u>	<u>392,038</u>	<u>386,307</u>
<b>EARNINGS PER SHARE</b>				
<b>ATTRIBUTABLE TO ORDINARY</b>				
<b>EQUITY HOLDERS OF THE PARENT</b>				
Basic and diluted	12	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<b>PROFIT FOR THE YEAR</b>		27,540	392,038	386,307
<b>OTHER COMPREHENSIVE INCOME</b>				
Equity investments designated at fair value through other comprehensive income:				
Changes in fair value		–	–	141
Income tax effect		–	–	(35)
Exchange differences on translation of foreign operations		(4,352)	(5,466)	85,920
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>23,188</u>	<u>386,572</u>	<u>472,333</u>
Attributable to:				
Owners of the parent		21,320	378,677	466,055
Non-controlling interests		1,868	7,895	6,278
		<u>23,188</u>	<u>386,572</u>	<u>472,333</u>



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**ACCOUNTANTS’ REPORT**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<i>Notes</i>	<b>2020</b> <i>RMB’000</i>	<b>2021</b> <i>RMB’000</i>	<b>2022</b> <i>RMB’000</i>
<b>NON-CURRENT ASSETS</b>				
Prepayments and other receivables	22	128	9,820	377,181
Property, plant and equipment	13	115,996	260,421	400,338
Right-of-use assets	14	4,076	4,504	8,028
Goodwill	15	8,572	8,572	8,572
Intangible assets	16	2,831	2,248	2,127
Investment in associates	17	6,355	3,416	181
Equity investments designated at fair value through other comprehensive income	18	–	2,250	2,391
Deferred tax assets	28	2,632	2,809	3,010
Total non-current assets		<u>140,590</u>	<u>294,040</u>	<u>801,828</u>
<b>CURRENT ASSETS</b>				
Inventories	19	3,327	17,039	6,598
Assets held for sale	20	–	–	86,557
Trade receivables	21	117,312	311,287	149,140
Due from related parties	36	205	122	631
Prepayments and other receivables	22	14,458	317,792	49,276
Income tax recoverable		–	–	118
Financial assets at fair value through profit or loss	23	–	3,300	6,368
Cash and bank balances	24	50,669	190,006	339,991
Total current assets		<u>185,971</u>	<u>839,546</u>	<u>638,679</u>
<b>CURRENT LIABILITIES</b>				
Trade payables	25	143,613	453,118	336,390
Other payables and accruals	26	23,768	83,373	126,793
Due to related parties	36	297	3,097	9,711
Interest-bearing bank and other borrowings	27	30,625	67,097	27,514
Tax payable		3,592	16,567	1,263
Lease liabilities	14	2,845	2,915	3,399
Total current liabilities		<u>204,740</u>	<u>626,167</u>	<u>505,070</u>
<b>NET CURRENT ASSETS</b>		<u>(18,769)</u>	<u>213,379</u>	<u>133,609</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>121,821</u>	<u>507,419</u>	<u>935,437</u>
<b>NON-CURRENT LIABILITIES</b>				
Interest-bearing bank and other borrowings	27	13,528	22,943	39,416
Lease liabilities	14	1,585	2,116	4,590
Deferred tax liabilities	28	–	395	252
Total non-current liabilities		<u>15,113</u>	<u>25,454</u>	<u>44,258</u>
<b>NET ASSETS</b>		<u>106,708</u>	<u>481,965</u>	<u>891,179</u>
<b>EQUITY</b>				
<b>Equity attributable to owners of the parent</b>				
Share capital	29	–	–	29
Reserves	30	99,020	475,973	878,880
		99,020	475,973	878,909
<b>Non-controlling interests</b>		<u>7,688</u>	<u>5,992</u>	<u>12,270</u>
<b>TOTAL EQUITY</b>		<u>106,708</u>	<u>481,965</u>	<u>891,179</u>

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to ordinary equity holders of the parent									
	Issued capital	Share premium account	Capital reserve	comprehensive income	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 29		Note 30(a)	Note 30(b)	Note 30(c)					
At 1 January 2020	-	-	46,295	(184)	30	3,162	28,397	77,700	4,594	82,294
Profit for the year	-	-	-	-	-	-	25,521	25,521	2,019	27,540
Other comprehensive loss for the year	-	-	-	-	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	-	-	(4,201)	-	(4,201)	(151)	(4,352)
Total comprehensive income for the year	-	-	-	-	-	(4,201)	25,521	21,320	1,868	23,188
Acquisition of a subsidiary that is not a business	-	-	-	-	-	-	-	-	1,226	1,226
At 31 December 2020 and 1 January 2021	-	-	46,295	(184)	30	(1,039)	53,918	99,020	7,688	106,708
Profit for the year	-	-	-	-	-	-	384,085	384,085	7,953	392,038
Other comprehensive loss for the year	-	-	-	-	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	-	-	(5,408)	-	(5,408)	(58)	(5,466)
Total comprehensive income for the year	-	-	-	-	-	(5,408)	384,085	378,677	7,895	386,572

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Attributable to ordinary equity holders of the parent

	Issued capital RMB'000 Note 29	Share premium account RMB'000	Capital reserve RMB'000 Note 30(a)	comprehensive income RMB'000 Note 30(b)	Statutory surplus reserve RMB'000 Note 30(c)	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Acquisition of non-controlling interests	-	-	(1,724)	-	-	-	-	(1,724)	(3,897)	(5,621)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	(5,694)	(5,694)
Appropriations to statutory surplus reserve	-	-	-	-	1,410	-	(1,410)	-	-	-
At 31 December 2021 and 1 January 2022	-	-	44,571	(184)	1,440	(6,447)	436,593	475,973	5,992	481,965
Profit for the year	-	-	-	-	-	-	380,944	380,944	5,363	386,307
Other comprehensive income for the year	-	-	-	105	-	-	-	105	1	106
Changes in fair value of equity investments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	-	-	85,006	-	85,006	914	85,920
Total comprehensive income for the year	-	-	-	105	-	85,006	380,944	466,055	6,278	472,333
Issue shares	29	8,390	-	-	-	-	-	8,419	-	8,419
Deemed distribution raising from the reorganisation*	-	-	(71,538)	-	-	-	-	(71,538)	-	(71,538)
Appropriations to statutory surplus reserve	-	-	-	-	714	-	(714)	-	-	-
At 31 December 2022	29	8,390	(26,967)	(79)	2,154	78,559	816,823	878,909	12,270	891,179

\* These consideration of RMB71,538,000 paid by the Group to acquire the shipping Business from the then shareholders of the subsidiaries now comprising the Group which is treated as deemed distribution and is recognised as a deduction of capital reserve.

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**ACCOUNTANTS’ REPORT**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<i>Notes</i>	<b>2020</b> <i>RMB’000</i>	<b>2021</b> <i>RMB’000</i>	<b>2022</b> <i>RMB’000</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax		30,105	407,723	395,383
Adjustments for:				
Finance costs	7	3,809	8,033	4,827
Interest income	5	(889)	(177)	(2,081)
Share of profits and losses of associates	17	(281)	(5,960)	159
(Gain)/Loss on disposal of property, plant and equipment	6	(7,834)	(18,442)	2,816
Gain on disposal of a subsidiary	5	–	(1,724)	–
Fair value losses on financial assets at fair value through profit or loss		–	–	232
Gain on disposal of associates	5	(100)	(3,277)	–
Exchange (gain)/loss		(293)	811	1,424
Depreciation of property, plant and equipment	6, 13	6,056	26,986	34,566
Depreciation of right-of-use assets	6, 14	2,044	2,564	4,434
Amortisation of intangible assets	6, 16	913	642	375
Impairment of prepayments and other receivables	6, 22	44	921	(623)
Impairment of trade receivables	6, 21	1,091	1,195	9,466
Impairment of assets held for sale		–	–	36,450
		<u>34,665</u>	<u>419,295</u>	<u>487,428</u>
(Increase)/decrease in inventories		(972)	(13,712)	10,441
(Increase)/decrease in trade receivables		(16,935)	(212,834)	152,681
Decrease/(increase) in prepayments and other receivables		2,306	(69,975)	27,084
Increase/(decrease) in trade payables		28,766	326,677	(116,728)
Increase in other payables and accruals		1,485	58,220	47,237
Increase/(decrease) in amounts due to related parties		32	(31)	–
Decrease/(increase) in restricted cash		850	(1)	1
Decrease in pledged deposits		200	–	–
		<u>50,397</u>	<u>507,639</u>	<u>608,144</u>
<b>Cash generated from operations</b>		<b>50,397</b>	<b>507,639</b>	<b>608,144</b>
Interest received		889	177	2,081
Tax paid		(378)	(2,873)	(24,878)
		<u>50,908</u>	<u>504,943</u>	<u>585,347</u>
<b>Net cash flows from operating activities</b>		<b>50,908</b>	<b>504,943</b>	<b>585,347</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchases of items of property, plant and equipment		(45,353)	(695,949)	(620,521)
Purchase of intangible assets		–	(59)	(254)
Acquisition of a subsidiary that is not a business		(5,213)	–	–
Disposal of items of property, plant and equipment		25,866	298,444	277,593
Disposal of a subsidiary	31	–	(2,510)	–
Investment in an associate		(8,591)	–	–
Advances to related parties	36	(7,449)	(9,388)	(512)
Repayment of advances to related parties	36	7,262	9,471	3

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**ACCOUNTANTS’ REPORT**

	<i>Notes</i>	<b>2020</b> <i>RMB’000</i>	<b>2021</b> <i>RMB’000</i>	<b>2022</b> <i>RMB’000</i>
Disposal of financial assets at fair value through profit or loss		1,800	–	–
Purchases of financial assets at fair value through profit or loss		–	(7,400)	(3,300)
Disposal of investments in associates		100	12,176	–
<b>Net cash flows used in investing activities</b>		<b>(31,578)</b>	<b>(395,215)</b>	<b>(346,991)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Deemed distribution raising from the reorganisation		–	–	(61,827)
Issue shares		–	–	8,419
Acquisition of non-controlling interests		–	(5,621)	–
Proceeds from interest-bearing bank and other borrowings		28,880	118,116	52,345
Repayment of interest-bearing bank and other borrowings		(26,303)	(72,229)	(95,135)
Interest paid		(3,431)	(7,599)	(4,372)
Principal portion of lease payments	<i>14</i>	(2,281)	(3,096)	(5,454)
Advances from related parties	<i>36</i>	12,781	8,795	90
Repayment of advances from related parties	<i>36</i>	(12,928)	(5,964)	(3,187)
<b>Net cash flows (used in)/from financing activities</b>		<b>(3,282)</b>	<b>32,402</b>	<b>(109,121)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>				
Cash and cash equivalents at beginning of year		16,048	142,130	129,235
Effect of foreign exchange rate changes, net		32,147	50,669	190,005
		2,474	(2,794)	20,751
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>50,669</b>	<b>190,005</b>	<b>339,991</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>				
Cash and bank balances	<i>24</i>	50,669	190,006	339,991
Less: Restricted cash	<i>24</i>	–	1	–
Pledged deposits	<i>24</i>	–	–	–
<b>CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AND STATEMENTS OF CASH FLOWS</b>		<b>50,669</b>	<b>190,005</b>	<b>339,991</b>

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**ACCOUNTANTS’ REPORT**

**STATEMENT OF FINANCIAL POSITION OF THE COMPANY**

	<i>Notes</i>	<b>2022</b> <i>RMB’000</i>
<b>NON-CURRENT ASSETS</b>		
Investments in subsidiaries	40	<u>8,390</u>
Total non-current assets		<u>8,390</u>
<b>CURRENT ASSETS</b>		
Prepayments and other receivables		<u>29</u>
Total current assets		<u>29</u>
<b>EQUITY</b>		
Share capital	29	29
Reserves		<u>8,361</u>
<b>TOTAL EQUITY</b>		<u><u>8,390</u></u>

*Note:* Except for issuance of shares, the Company had no transactions during the Relevant Periods.

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## ACCOUNTANTS’ REPORT

### II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 27 July 2022. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company’s subsidiaries were principally engaged in the provision of integrated cross-border logistics services and other services.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed “Reorganisation” in the section headed “History, Reorganization and Group Structure” in the Document. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct or indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have characteristics substantially similar to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of equity attributable to the Company	Principal activities
<u>Directly held:</u>					
LC Logistics International Co., Limited (“LC (BVI)”)	(3)	BVI 5 August 2022	USD50,000	100%	Investment holding
PCW Investment Limited (“PCW Investment”)	(3)	BVI 29 June 2022	USD50,000	100%	Investment holding
<u>Indirectly held:</u>					
LC Holdings (Hong Kong) Co., Limited (“LC (HK)”)	(3)	Hong Kong 18 August 2022	HKD1	100%	Investment holding
PCW (Hong Kong) International Limited (“PCW (HK)”)	(3)	Hong Kong 14 July 2022	HKD1	100%	Investment holding
樂艙(青島)物流供應鏈有限公司 Lcang (Qingdao) Logistics Supply Chain Co., Ltd. (“Lcang (Qingdao)”)**	(3)	PRC/Mainland China 8 October 2022	RMB5,000,000	100%	Investment holding
山東樂艙企業管理服務有限公司 Shandong Lcang Enterprise Management Services Co., Ltd. (“Lcang Enterprise Management”)	(3)	PRC/Mainland China 31 May 2022	RMB86,000,000	100%	Investment holding
山東樂艙網國際物流股份有限公司 Shandong Lcang International Logistics Inc. Corp. Ltd. (“Shandong Lcang”)*	(8)	PRC/Mainland China 16 November 2004	RMB42,618,000	99%	Provision of cross-border logistics services
上海涵運網絡科技有限責任公司 Shanghai Hanyun Network Technology Co., Ltd. (“Shanghai Hanyun”)*	(1)	PRC/Mainland China 23 March 2015	RMB20,000,000	99%	Provision of cross-border logistics services
<u>Indirectly held:</u>					
寧波博亞國際物流有限公司 Ningbo Boya International Logistics Co., Ltd. (“Ningbo Boya”)*	(1)	PRC/Mainland China 11 January 2017	RMB5,000,000	99%	Provision of cross-border logistics services
博亞集團控股(香港)有限公司 BURNGROUP HOLDING CO., LTD. (“Burngroup Holding”)*	(5)	Hong Kong 3 June 2015	USD2,800,000	99%	Investment holding
海南洋浦星洋國際海運有限公司 Hainan Yangpu Xingyang International Shipping Co., Ltd. (“Hainan Yangpu Xingyang”)*	(1)	PRC/Mainland China 21 September 2020	RMB20,000,000	99%	No commenced operation
深圳樂艙國際物流有限公司 Shenzhen Lcang International Logistics Co., Ltd. (“Shenzhen Lcang International Logistics”)*	(2)	PRC/Mainland China 23 June 2021	RMB5,000,000	99%	Provision of cross-border logistics services

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Name	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of equity attributable to the Company	Principal activities
上海絲金國際運輸有限公司 Shanghai Sijin Int’l Transport Co., Ltd. (“Shanghai Sijin”)*	(6)	PRC/Mainland China 8 January 1996	RMB7,470,000	74%	Provision of cross-border logistics services
青島萬豪國際船舶管理有限公司 Qingdao Wanhao International Ship Management Co., Ltd. (“Qingdao Wanhao”)*	(1)	PRC/Mainland China 15 April 2019	RMB6,000,000	50%	Provision of vessel management and other service
博安航運有限公司 BOAN SHIPPING ENTERPRISE CO., LTD. (“Boan Shipping”)*	(4)	Hong Kong 17 December 2018	HKD10,000	99%	Vessel chartering
深圳樂艙跨境供應鏈科技有限公司 Shenzhen Lcang Cross Border Supply Chain Technology Co., Ltd. (“Shenzhen Lcang Cross Border Supply Chain”)*	(3)	PRC/Mainland China 10 May 2022	RMB5,000,000	99%	Provision of cross-border logistics and e-commerce services
海南融倉供應鏈有限公司 Hainan Rongcang Supply Chain Co., Ltd. (“Hainan Rongcang”)*	(3)	PRC/Mainland China 24 April 2022	RMB1,000,000	99%	No commenced operation
寶星航運有限公司 BAL STAR SHIPPING CO., LIMITED (“BAL Star”)*	(4)	Hong Kong 22 January 2018	USD20,000,000	99%	Vessel chartering
樂艙航運有限公司 LELANG SHIPPING ENTERPRISE CO., LIMITED (“Lcang Shipping”)*	(4)	Hong Kong 22 January 2018	HKD10,000	99%	Vessel chartering
上海樂易物流有限公司 Shanghai Leyi Logistics Co., Ltd. (“Shanghai Leyi”)*	(1)	PRC/Mainland China 10 October 2020	RMB2,000,000	99%	Road cargo transportation
青島博亞國際物流有限公司 Qingdao Boya International Logistics Co., Ltd. (“Qingdao Boya”)*	(1)	PRC/Mainland China 30 March 2018	USD800,000	99%	Provision of cross-border logistics services
博亞青島航運有限公司 BAL QINGDAO SHIPPING ENTERPRISE CO., LTD. (“BAL Qingdao”)*	(4)	Hong Kong 20 December 2019	HKD10,000	99%	Vessel chartering business
博亞(上海)航運有限公司 BAL SHANGHAI SHIPPING ENTERPRISE CO., LTD. (“BAL Shanghai”)*	(1)	Hong Kong 16 October 2019	HKD1	99%	Vessel operation and chartering
博亞國際海運有限公司 Bal container Line Co., Ltd. (“BAL Container Line”)*	(7)	Hong Kong 14 August 2012	HKD1	99%	Provision of cross-border transportation services
張家港樂視網絡科技有限公司 Zhangjiagang Lechang Network Technology Co., Ltd. (“Zhangjiagang Lechang”)*	(2)	PRC/Mainland China 4 February 2021	RMB2,000,000	99%	No commenced operation
廈門樂艙國際物流有限公司 Xiamen Lcang International Logistics Co., Ltd. (“Xiamen Lcang”)*	(3)	PRC/Mainland China 27 April 2022	RMB5,000,000	99%	Provision of cross-border logistics services
博亞美國航運有限公司 BAL (USA) SHIPPING INC. (“BAL USA Shipping”)*	(2)	USA 19 July 2021	USD100,000	99%	Provision of customer service in the U.S.
博亞新加坡航運有限公司 BAL (SINGAPORE) SHIPPING PTE. LTD (“BAL Singapore”)*	(2)	Singapore 6 July 2021	SGD10,000	99%	Investment holding
博亞海南航運有限公司 BAL HAINAN SHIPPING CO., LTD. (“BAL Hainan”)*	(2)	Hong Kong 27 May 2021	USD630,000	99%	No commenced operation
上海融倉供應鏈有限公司 Shanghai Rongcang Supply Chain Co., Ltd. (“Shanghai Rongcang”)*	(3)	PRC/Mainland China 19 April 2018	RMB10,000,000	99%	No commenced operation
BAL (AUSTRALIA) SHIPPING PTY LTD (“BAL Australia”)*	(3)	Australia 11 August 2022	AUD100	99%	No commenced operation
BAL USA LOGISTIC INC (“BAL USA Logistic”)*	(3)	USA 7 July 2022	USD100,000	99%	No commenced operation
BAL (VIETNAM) SHIPPING COMPANY LIMITED (“BAL Vietnam”)*	(3)	Vietnam 17 October 2022	VDN2,338,000,000	99%	No commenced operation
LC WESTERN POST LOGISTIC INC (“LC Western”)*	(3)	USA 26 October 2022	USD480,000	79%	No commenced operation



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- \* These companies are subsidiaries of non-wholly-owned subsidiaries of the Company and, accordingly, are accounted for as subsidiaries by virtue of the Company having control over them.
- \*\* Lcang (Qingdao) is registered as a wholly-foreign-owned enterprise under PRC law.
- (1) No audited financial statements have been prepared or issued for these entities for the years ended 31 December 2020, 2021 and 2022 as these companies are not subject to any statutory audit requirement under the relevant rules and regulations.
  - (2) No audited financial statements have been prepared or issued for these entities for the years ended 31 December 2021 and 2022 as these companies are not subject to any statutory audit requirement under the relevant rules and regulations.
  - (3) No audited financial statements have been prepared or issued for these entities for the year ended 31 December 2022 as these companies are not subject to any statutory audit requirement under the relevant rules and regulations.
  - (4) The statutory financial statements for the years ended 31 December 2020 and 2021 prepared under Hong Kong Financial Reporting Standard for Private Entities (“HKFRS for Private Entities”) were audited by SBC CPA LIMITED (駿業會計師事務所有限公司), certified public accountants registered in the Hong Kong. No audited financial statements have been prepared or issued for these entities for the year ended 31 December 2022 as these companies are not subject to any statutory audit requirement under the relevant rules and regulations.
  - (5) No audited financial statements have been prepared and issued for the entity for the years ended 31 December 2020, 2021 and 2022 as the company is not subject to any statutory audit requirement under the relevant rules and regulations.
  - (6) No audited financial statements have been prepared and issued for the entity for the years ended 31 December 2020, 2021 and 2022 as the company is not subject to any statutory audit requirement under the relevant rules and regulations.
  - (7) The statutory financial statement for the year ended 31 December 2020 prepared under HKFRS for Private Entities were audited by SBC CPA LIMITED (駿業會計師事務所有限公司), certified public accountants registered in the Hong Kong. The statutory financial statements for the year ended 31 December 2021 prepared under HKFRS for Private Entities were audited by CHENG & CHENG CPA LIMITED (鄭鄭會計師事務所有限公司), certified public accountants registered in the Hong Kong. No audited financial statements have been prepared or issued for these entities for the year ended 31 December 2022 as these companies are not subject to any statutory audit requirement under the relevant rules and regulations.
  - (8) The financial statements for the year ended 31 December 2021 prepared under PRC GAAP were audited by Grant Thornton Certified Public Accountants LLP (致同會計師事務所). The consolidated financial statements for the year ended 31 December 2020 prepared under PRC GAAP were audited by Grant Thornton Certified Public Accountants LLP (致同會計師事務所). The consolidated financial statements for the year ended 31 December 2021 prepared under PRC GAAP were audited by Henan Zhaoyuan Certified Public Accountants (河南昭源會計師事務所).

The English names of all group companies registered in the PRC represent the best efforts made by management of the Company to translate the Chinese names of these companies as they do not have official English names.

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### 2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed “Reorganisation” in the section headed “History, Reorganisation and Corporate Structure” in the Document, the Company became the holding company of the companies now comprising the Group on 19 October 2022. As the Reorganisation mainly involved inserting new holding companies and has not resulted in any change of economic substance, the Historical Financial Information for the Relevant Periods has been presented as a continuation of the existing companies as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group as if the current group structure had been in existence throughout the Relevant Period. The consolidated statements of financial position of the Group as at 31 December 2020, 2021 and 2022 include 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 recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries and/or businesses held by parties other than the Controlling Shareholders, and changes therein, prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on consolidation.

### 2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards (“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 1 January 2022, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income (“FVOCI”) and financial assets at fair value through profit or loss (“FVTPL”) which have been measured at fair value.

### 2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information. The list of IFRSs only includes those applicable to the Group.

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup></i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)<sup>2,4</sup></i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)<sup>2</sup></i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies<sup>1</sup></i>
Amendments to IAS 8	<i>Definition of Accounting Estimates<sup>1</sup></i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction<sup>1</sup></i>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback<sup>2</sup></i>

1. Effective for annual periods beginning on or after 1 January 2023
2. Effective for annual periods beginning on or after 1 January 2024
3. No mandatory effective date yet determined but available for adoption

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4. As a consequence of the amendments to IAS 1 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, International Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, it has concluded that the adoption of these standards will not have a material impact on the Group’s financial position and financial performance.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The results of subsidiaries are included in the Company’s profit or loss to the extent of dividends received and receivable. The Company’s investments in subsidiaries are stated at cost less any impairment losses.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

#### Investments in associates

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group’s investments in associates are stated in the consolidated statement of financial position at the Group’s share of net assets under the equity method of accounting, less any impairment losses.

The Group’s share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss, the consolidated statement of comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group’s investments in the associates, except where unrealised losses provide evidence of an impairment of the assets

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transferred. Goodwill arising from the acquisition of associates is included as part of the Group’s investments in associates. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

### **Business combinations not under common control and goodwill**

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree’s identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group’s previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

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### Fair value measurement

The Group measures its financial assets at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets), the asset’s recoverable amount is estimated. An asset’s recoverable amount is the higher of the asset’s or cash-generating unit’s value in use and its fair value less costs of disposal, and is determined for an individual asset. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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### Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;
- or
- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

### Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

1. Container	10%
2. Container vessels	7% to 13%
3. Motor vehicles	19% to 24%
4. Furniture and fixtures	19% to 32%
5. Electronic equipment	19% to 32%
6. Decoration and improvement	29% to 33%

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Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

### **Non-current assets held for sale**

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable.

Non-current assets (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

### **Intangible assets (other than goodwill)**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful life of 5 years.

### **Research and development costs**

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

### **Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### ***Group as a lessee***

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### ***(a) Right-of-use assets***

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets



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includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the asset as follows:

Leased office buildings	1 to 3 years
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If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

### *(b) Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g. a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

### *(c) Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of buildings and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

### ***Group as a lessor***

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

### ***Sale and leaseback transactions***

The transfer of an asset by the Group does not satisfy the requirements of IFRS 15 to be accounted for as a sale of the asset and the Group continue to recognise the transferred asset and recognise a financial liability equal to the proceeds of the transfer. The Group is accounted for the financial liability applying IFRS 9.



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### Investments and other financial assets

#### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through other comprehensive income and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for “Revenue recognition” below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

#### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

##### *Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

##### *Equity investments designated at fair value through other comprehensive income*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss and the statement of comprehensive income. Dividends are recognised as other income in the statement of profit or loss and the statement of comprehensive income when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

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### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

### **Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### **Impairment of financial assets**

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

### *General approach*

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the end of each of Relevant Periods, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

### *Simplified approach*

For trade receivables that do not contain a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### **Financial liabilities**

#### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade payables, other payables and accruals, due to related parties and interest-bearing bank and other borrowings.

#### *Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

#### *Financial liabilities at amortised cost*

After initial recognition, financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

#### **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

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### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are calculated on a specific identification basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### **Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

### **Revenue recognition**

#### ***Revenue from contracts with customers***

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS15.

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The following is a description of accounting policy for the revenue streams of the Group:

- (a) Revenue from activities related to cross-border logistics services is recognised over time as the performance obligation is satisfied, including a share of revenue from incomplete voyages as at the end of each of the Relevant Periods. Detention and demurrage fees are recognised over time up until the time of the customer’s overdue return or pickup of containers.
- (b) Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.
- (c) *Other revenue*

Revenue from a time charter is recognised on the straight-line basis over the period of the charter.

- (d) *Other income*

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders’ right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

### **Contract liabilities**

A contract liability is recognised when the payment is received or the payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

### **Employee benefits**

#### *Pension scheme*

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for those Hong Kong employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group’s subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### **Dividends**

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

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### Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company’s functional currency because the Group’s principal operations are carried out in Mainland China. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the Relevant Periods and their statements of profit or loss and other comprehensive income are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss and the statement of comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group’s financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The key judgements, estimates and assumptions, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

#### Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. As at 31 December 2020, 2021 and 2022, the carrying amounts of goodwill were RMB8,572,000, RMB8,572,000 and RMB8,572,000, respectively. Further details are given in note 15 to the Historical Financial Information.



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### Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, customer type and rating).

The provision matrix is initially based on the Group’s historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., inflation rate) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of a customer’s actual default in the future. The information about the ECLs on the Group’s trade receivables is disclosed in note 21 to the Historical Financial Information.

### Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

### Income tax

Significant management judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

### Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 26 to the Historical Financial Information.

### Estimated useful lives and residual values of container vessels and containers

The Group’s major operating assets are container vessels and containers. Management determines the estimated useful lives, residual values and related depreciation expenses for its container vessels and containers. Management estimates the useful lives of the container vessels and containers by reference to the Group’s business model, its asset management policy, the industry practice, expected usage of the vessels, expected repair and maintenance, and technical or commercial obsolescence arising from changes or improvements in the vessel market.

Management determines the estimated residual values for its container vessels and containers by reference to all relevant factors (including the use of the current scrap values of steel in an active market) at each measurement date. The depreciation expense will change where the useful lives or residual values of container vessels and containers are different from the previous estimates.



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**4. OPERATING SEGMENT INFORMATION**

For management purposes, the Group is organised into business units based on their products and services and only has one reportable operating segment. Management monitors the results of the Group’s operating segments as a whole for the purpose of making decisions about resource allocation and performance assessment.

**Geographical information**

*(a) Revenue from external customers*

	<b>2020</b> <i>RMB’000</i>	<b>2021</b> <i>RMB’000</i>	<b>2022</b> <i>RMB’000</i>
Greater China	711,121	4,030,172	4,236,275
Others	70,403	165,221	371,654
	<u>781,524</u>	<u>4,195,393</u>	<u>4,607,929</u>

The revenue information above is based on the outbound cargoes of each geographical territory.

*(b) Non-current assets*

The container vessels and containers (included in property, plant and equipment) are primarily utilised across geographical markets for shipment of cargoes around the world. Accordingly, it is impractical to present the locations of the container vessels and containers by geographical areas. Therefore, the container vessels, containers and vessels and containers under construction are presented as unallocated non-current assets.

**Information about major customers**

No revenue from a major customer accounted for 10% or more of the Group’s revenue during the Relevant Periods.

**5. REVENUE, OTHER INCOME AND GAINS**

An analysis of is as follows:

	<b>2020</b> <i>RMB’000</i>	<b>2021</b> <i>RMB’000</i>	<b>2022</b> <i>RMB’000</i>
Revenue from contracts with customers	746,074	4,088,077	4,389,175
Revenue from other sources			
Time charter income	35,450	107,316	218,754
	<u>781,524</u>	<u>4,195,393</u>	<u>4,607,929</u>

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**Revenue from contracts with customers**

(i) *Disaggregated revenue information*

	<b>Cross-border logistics services RMB’000</b>	<b>Others RMB’000</b>	<b>Total RMB’000</b>
<b>2020</b>			
<b>Types of goods or services</b>			
Cross-border logistics services	743,475	–	743,475
Sale of goods	–	2,599	2,599
	<u>743,475</u>	<u>2,599</u>	<u>746,074</u>
Total revenue from contracts with customers	<u>743,475</u>	<u>2,599</u>	<u>746,074</u>
<b>Timing of revenue recognition</b>			
Services transferred over time	743,475	–	743,475
Goods transferred at a point in time	–	2,599	2,599
	<u>743,475</u>	<u>2,599</u>	<u>746,074</u>
Total revenue from contracts with customers	<u>743,475</u>	<u>2,599</u>	<u>746,074</u>
<b>Geographical markets</b>			
Greater China	691,071	2,599	693,670
Others	52,404	–	52,404
	<u>743,475</u>	<u>2,599</u>	<u>746,074</u>
Total revenue from contracts with customers	<u>743,475</u>	<u>2,599</u>	<u>746,074</u>
<b>2021</b>			
<b>Types of goods or services</b>			
Cross-border logistics services	4,088,077	–	4,088,077
	<u>4,088,077</u>	<u>–</u>	<u>4,088,077</u>
Total revenue from contracts with customers	<u>4,088,077</u>	<u>–</u>	<u>4,088,077</u>
<b>Timing of revenue recognition</b>			
Services transferred over time	4,088,077	–	4,088,077
	<u>4,088,077</u>	<u>–</u>	<u>4,088,077</u>
Total revenue from contracts with customers	<u>4,088,077</u>	<u>–</u>	<u>4,088,077</u>
<b>Geographical markets</b>			
Greater China	4,010,271	–	4,010,271
Others	77,806	–	77,806
	<u>4,088,077</u>	<u>–</u>	<u>4,088,077</u>
Total revenue from contracts with customers	<u>4,088,077</u>	<u>–</u>	<u>4,088,077</u>
<b>2022</b>			
<b>Types of goods or services</b>			
Cross-border logistics services	4,389,175	–	4,389,175
	<u>4,389,175</u>	<u>–</u>	<u>4,389,175</u>
Total revenue from contracts with customers	<u>4,389,175</u>	<u>–</u>	<u>4,389,175</u>

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	<b>Cross-border logistics services</b> <i>RMB’000</i>	<b>Others</b> <i>RMB’000</i>	<b>Total</b> <i>RMB’000</i>
<b>Timing of revenue recognition</b>			
Services transferred over time	4,389,175	–	4,389,175
Total revenue from contracts with customers	<u>4,389,175</u>	<u>–</u>	<u>4,389,175</u>
<b>Geographical markets</b>			
Greater China	4,140,022	–	4,140,022
Others	249,153	–	249,153
Total revenue from contracts with customers	<u>4,389,175</u>	<u>–</u>	<u>4,389,175</u>

The following table shows the amounts of revenue recognised during the Relevant Periods that were included in the contract liabilities at the beginning of each of the Relevant Periods:

	<b>2020</b> <i>RMB’000</i>	<b>2021</b> <i>RMB’000</i>	<b>2022</b> <i>RMB’000</i>
Revenue recognised that was included in contract liabilities at the beginning of the year:			
Cross-border logistics services	<u>5,920</u>	<u>7,769</u>	<u>39,625</u>

(ii) **Performance obligations**

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

*Cross-border logistics services*

The revenues from the operation of integrated cross-border logistics services business are recognised over time, which is determined on the time proportion of each individual vessel voyage completed at year end.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) for the years ended 31 December 2020, 2021 and 2022 are as follows:

	<b>2020</b> <i>RMB’000</i>	<b>2021</b> <i>RMB’000</i>	<b>2022</b> <i>RMB’000</i>
Amounts expected to be recognised as revenue:			
In one year:	<u>7,769</u>	<u>39,625</u>	<u>19,585</u>

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All of the amounts of transaction prices allocated to the performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>Other income and gains</b>			
Gain on disposal of property, plant and equipment	7,834	18,442	–
Gain on disposal of a subsidiary	–	1,724	–
Government grants	410	81	571
Interest income	889	177	2,081
Foreign exchange gains, net	201	–	6,803
Gain on disposal of associates	100	3,277	–
Others	385	30	52
	<u>9,819</u>	<u>23,731</u>	<u>9,507</u>

**6. PROFIT BEFORE TAX**

The Group’s profit before tax is arrived at after charging:

	<i>Notes</i>	<b>2020</b>	<b>2021</b>	<b>2022</b>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cost of service provided		713,151	3,714,919	4,025,832
Depreciation of property, plant and equipment	13	6,056	26,986	34,566
Depreciation of right-of-use assets	14(a)	2,044	2,564	4,434
Amortisation of intangible assets	16	913	642	375
Impairment of assets held for sale	20	–	–	36,450
Impairment of financial assets, net				
– Trade receivables	21	1,091	1,195	9,466
– Other receivables	22	44	921	(623)
Fair value losses on financial assets at fair value through profit or loss		–	–	232
Foreign exchange (gains)/loss		(201)	4,036	(6,803)
Interest income		(889)	(177)	(2,081)
(Gain)/loss on disposal of property, plant and equipment		(7,834)	(18,442)	2,816
Gain on disposal of a subsidiary		(1,724)	–	–
Gain on disposal of associates		(100)	(3,277)	–
[REDACTED]		–	–	[REDACTED]
Employee benefit expense (excluding directors’ and chief executive’s remuneration (note 8)):				
Wages, salaries and other allowances		18,754	35,464	51,525
Pension scheme contributions and social welfare		1,704	5,315	8,324
		<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

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**7. FINANCE COSTS**

An analysis of finance costs from continuing operations is as follows:

	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Interest on bank and other borrowings	3,431	7,599	4,372
Interest expense on lease liabilities ( <i>note 14</i> )	378	434	455
	<u>3,809</u>	<u>8,033</u>	<u>4,827</u>

**8. DIRECTORS’ AND CHIEF EXECUTIVE’S REMUNERATION**

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointments as directors of these subsidiaries. The remuneration of each of these directors as recorded in the financial statements of the subsidiaries is set out below:

	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Fees	–	100	150
Other emoluments:			
Salaries, allowances and benefits in kind	793	1,629	2,293
Performance-related bonuses	152	600	1,044
Pension scheme contributions and social welfare	62	167	218
	<u>1,007</u>	<u>2,496</u>	<u>3,705</u>

**(a) Independent non-executive directors**

Subsequent to the end of the Relevant Periods, Mr. Du Haibo, Mr. Gu Lin and Mr. Qi Yinliang were appointed as independent non-executive directors of the Company on [●].

The fees paid to independent non-executive directors during the Relevant Periods were as follows:

	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Independent non-executive directors			
Mr. Du Haibo	–	50	50
Mr. Gu Lin	–	50	50
Mr. Qi Yinliang	–	–	50
	<u>–</u>	<u>100</u>	<u>150</u>

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**(b) Executive directors**

2020

	<b>Fees</b> <i>RMB’000</i>	<b>Salaries, allowances and benefits in kind</b> <i>RMB’000</i>	<b>Performance- related bonuses</b> <i>RMB’000</i>	<b>Pension scheme contributions and social welfare</b> <i>RMB’000</i>	<b>Total remuneration</b> <i>RMB’000</i>
Executive directors:					
Ms. Li Yan	–	299	32	25	356
Ms. Zhu Jiali	–	113	60	8	181
Mr. Yu Zhenrong	–	–	–	–	–
	–	412	92	33	537
Chief executive:					
Mr. Xu Xin	–	381	60	29	470
	–	793	152	62	1,007

2021

	<b>Fees</b> <i>RMB’000</i>	<b>Salaries, allowances and benefits in kind</b> <i>RMB’000</i>	<b>Performance- related bonuses</b> <i>RMB’000</i>	<b>Pension scheme contributions and social welfare</b> <i>RMB’000</i>	<b>Total remuneration</b> <i>RMB’000</i>
Executive directors:					
Ms. Li Yan	–	721	200	58	979
Ms. Zhu Jiali	–	256	200	36	492
Mr. Yu Zhenrong	–	–	–	–	–
	–	977	400	94	1,471
Chief executive:					
Mr. Xu Xin	–	652	200	73	925
	–	1,629	600	167	2,396

2022

	<b>Fees</b> <i>RMB’000</i>	<b>Salaries, allowances and benefits in kind</b> <i>RMB’000</i>	<b>Performance- related bonuses</b> <i>RMB’000</i>	<b>Pension scheme contributions and social welfare</b> <i>RMB’000</i>	<b>Total remuneration</b> <i>RMB’000</i>
Executive directors:					
Ms. Li Yan	–	1,320	694	54	2,068
Ms. Zhu Jiali	–	360	180	38	578
Mr. Yu Zhenrong	–	–	–	–	–
	–	1,680	874	92	2,646
Chief executive:					
Mr. Xu Xin	–	613	170	126	909
	–	2,293	1,044	218	3,555

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

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**9. FIVE HIGHEST PAID EMPLOYEES**

The five highest paid employees for the years ended 31 December 2020, 2021 and 2022 included 3, 2 and 2 directors, respectively. Details of directors’ remuneration are set out in note 8 above. Details of the remuneration for the years ended 31 December 2020, 2021 and 2022 of the remaining 2, 3 and 3 highest paid employees, respectively, who are neither a director nor chief executive of the Company are as follows:

	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Salaries, allowances and benefits in kind	271	868	2,769
Performance-related bonuses	58	1,039	317
Pension scheme contributions and social welfare	92	178	224
	<u>421</u>	<u>2,085</u>	<u>3,310</u>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>Number of employees</i>	<i>Number of employees</i>	<i>Number of employees</i>
Nil to HK\$1,000,000	2	3	–
HK\$1,000,001 to HK\$1,500,000	–	–	3
<b>Total</b>	<u>2</u>	<u>3</u>	<u>3</u>

**10. INCOME TAX**

The Group is 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.

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

The Group’s subsidiary incorporated in Hong Kong was subject to Hong Kong profits tax at the rate of 16.5% on any estimated assessable profits arising in Hong Kong during the Relevant Periods.

Subsidiaries of the Group operating in Mainland China were subject to PRC corporate income tax (“CIT”) with a tax rate of 25% for the Relevant Periods except for the following subsidiaries: Shanghai Hanyun, Ningbo Boya, Hainan Yangpu Xinyang, Zhangjiagang Lechang, Shanghai Bowei, Qingdao Boya, Qingdao Wanhao, Jiangsu Xinboya, Shanghai Sijin, Shenzhen Lcang Cross Border Supply Chain, Xiamen Lcang, Shanghai Rongcang and Shanghai Leyi. Shanghai Hanyun was accredited as a high and new technology enterprise (“HNTE”) with a tax rate of 15%. Ningbo Boya, Hainan Yangpu Xinyang, Zhangjiagang Lechang, Shanghai Bowei, Qingdao Boya, Qingdao Wanhao, Jiangsu Xinboya, Shanghai Sijin, Shenzhen Lcang Cross Border Supply Chain, Xiamen Lcang, Shanghai Rongcang and Shanghai Leyi enjoy the preferential tax rate policy for small and micro enterprise and were entitled to a preferential tax rate of 20% during the Relevant Periods except for Ningbo Boya with a tax rate of 25% from 2021.

	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Current tax:			
Mainland China	611	11,684	8,598
Hong Kong	1,797	3,887	857
	<u>157</u>	<u>114</u>	<u>(379)</u>
Deferred tax			
Total tax charge for the year	<u>2,565</u>	<u>15,685</u>	<u>9,076</u>

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A reconciliation of tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective tax rate is as follows:

	<b>2020</b> <i>RMB’000</i>	<b>2021</b> <i>RMB’000</i>	<b>2022</b> <i>RMB’000</i>
Profit before tax	30,105	407,723	395,383
Tax at the statutory tax rate	7,527	101,930	98,846
Effect of different tax rate applicable to subsidiaries	(2,821)	(30,720)	(30,940)
Expenses not deductible for tax	401	895	476
Income not subject to tax(a)	(2,501)	(56,463)	(59,424)
Tax losses and deductible temporary differences not recognised	4	28	78
Profits and losses attributable to associates	(45)	15	40
Tax charge at the Group’s effective rate	<u>2,565</u>	<u>15,685</u>	<u>9,076</u>

- (a) The Group’s Hong Kong subsidiaries’ shipping business profits were not derived from or arising from Hong Kong which were exempted from Hong Kong income tax and were reflected as income not subject to tax.

The share of tax credit attributable to associates amounted to RMB45,000, RMB15,000 and RMB40,000 for the years ended 31 December 2020, 2021 and 2022, respectively. They are included in “Investment income in associates” in the consolidated statements of profit or loss and statements of comprehensive income.

**11. DIVIDENDS**

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

**12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT**

Information about earnings per share is not presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful due to the Reorganisation and the basis of presentation of the Group for the Relevant Periods as disclosed in note 2.1 to the Historical Financial Information.

**13. PROPERTY, PLANT AND EQUIPMENT**

	<b>Containers</b> <i>RMB’000</i>	<b>Container vessels</b> <i>RMB’000</i>	<b>Motor vehicles</b> <i>RMB’000</i>	<b>Furniture and fixtures</b> <i>RMB’000</i>	<b>Electronic equipment</b> <i>RMB’000</i>	<b>Decoration and improvement</b> <i>RMB’000</i>	<b>Total</b> <i>RMB’000</i>
<b>31 December 2020</b>							
At 1 January 2020							
Cost	33,262	41,681	1,886	846	1,740	1,714	81,129
Accumulated depreciation	(11,075)	(1,577)	(1,158)	(597)	(1,439)	(296)	(16,142)
Exchange realignment	330	345	–	–	–	11	686
Net carrying amount	<u>22,517</u>	<u>40,449</u>	<u>728</u>	<u>249</u>	<u>301</u>	<u>1,429</u>	<u>65,673</u>



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	Containers RMB'000	Container vessels RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Electronic equipment RMB'000	Decoration and improvement RMB'000	Total RMB'000
At 1 January 2020							
Additions	23,576	20,399	330	44	290	714	45,353
Acquisition of a subsidiary that is not a business	–	35,884	–	–	–	–	35,884
Disposals	(18,013)	–	–	(1)	(18)	–	(18,032)
Depreciation provided during the year (note 6)	(1,987)	(2,600)	(206)	(176)	(100)	(987)	(6,056)
Exchange realignment	(1,414)	(5,391)	–	–	–	(21)	(6,826)
At 31 December 2020							
Net of accumulated depreciation	<u>24,679</u>	<u>88,741</u>	<u>852</u>	<u>116</u>	<u>473</u>	<u>1,135</u>	<u>115,996</u>
At 31 December 2020							
Cost	38,825	97,964	2,216	889	2,012	2,428	144,334
Accumulated depreciation	(13,062)	(4,177)	(1,364)	(773)	(1,539)	(1,283)	(22,198)
Exchange realignment	(1,084)	(5,046)	–	–	–	(10)	(6,140)
Net carrying amount	<u>24,679</u>	<u>88,741</u>	<u>852</u>	<u>116</u>	<u>473</u>	<u>1,135</u>	<u>115,996</u>
<b>31 December 2021</b>							
At 1 January 2021							
Cost	38,825	97,964	2,216	889	2,012	2,428	144,334
Accumulated depreciation	(13,062)	(4,177)	(1,364)	(773)	(1,539)	(1,283)	(22,198)
Exchange realignment	(1,084)	(5,046)	–	–	–	(10)	(6,140)
Net carrying amount	<u>24,679</u>	<u>88,741</u>	<u>852</u>	<u>116</u>	<u>473</u>	<u>1,135</u>	<u>115,996</u>
At 1 January 2021							
Additions	687,813	–	4,069	256	649	9,246	702,033
Disposal of a subsidiary	–	–	(1,242)	(5)	(48)	(130)	(1,425)
Disposals	(526,282)	(135)	(79)	(12)	(17)	–	(526,525)
Depreciation provided during the year (note 6)	(21,770)	(1,867)	(118)	(47)	(202)	(2,982)	(26,986)
Exchange realignment	(551)	(2,031)	–	–	–	(90)	(2,672)
At 31 December 2021							
Net of accumulated depreciation	<u>163,889</u>	<u>84,708</u>	<u>3,482</u>	<u>308</u>	<u>855</u>	<u>7,179</u>	<u>260,421</u>
At 31 December 2021							
Cost	200,356	97,829	6,206	1,133	2,644	11,674	319,842
Accumulated depreciation	(34,832)	(6,044)	(2,724)	(825)	(1,789)	(4,395)	(50,609)
Exchange realignment	(1,635)	(7,077)	–	–	–	(100)	(8,812)
Net carrying amount	<u>163,889</u>	<u>84,708</u>	<u>3,482</u>	<u>308</u>	<u>855</u>	<u>7,179</u>	<u>260,421</u>

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	Containers RMB'000	Container vessels RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Electronic equipment RMB'000	Decoration and improvement RMB'000	Total RMB'000
<b>31 December 2022</b>							
At 1 January 2022							
Cost	200,356	97,829	6,206	1,133	2,644	11,674	319,842
Accumulated depreciation	(34,832)	(6,044)	(2,724)	(825)	(1,789)	(4,395)	(50,609)
Exchange realignment	(1,635)	(7,077)	–	–	–	(100)	(8,812)
Net carrying amount	<u>163,889</u>	<u>84,708</u>	<u>3,482</u>	<u>308</u>	<u>855</u>	<u>7,179</u>	<u>260,421</u>
At 1 January 2022							
Additions	298,136	–	2,773	929	508	9,868	312,214
Disposals	(36,522)	–	(186)	(8)	(12)	–	(36,728)
Transfer to assets held for sale (note 20)	(124,126)	–	–	–	–	–	(124,126)
Depreciation provided during the period (note 6)	(23,818)	(2,996)	(1,232)	(123)	(409)	(5,988)	(34,566)
Exchange realignment	15,109	7,825	–	–	–	189	23,123
Net of accumulated depreciation	<u>292,668</u>	<u>89,537</u>	<u>4,837</u>	<u>1,106</u>	<u>942</u>	<u>11,248</u>	<u>400,338</u>
At 31 December 2022							
Cost	325,009	97,829	8,793	2,054	3,140	21,542	458,367
Accumulated depreciation	(45,815)	(9,040)	(3,956)	(948)	(2,198)	(10,383)	(72,340)
Exchange realignment	13,474	748	–	–	–	89	14,311
Net carrying amount	<u>292,668</u>	<u>89,537</u>	<u>4,837</u>	<u>1,106</u>	<u>942</u>	<u>11,248</u>	<u>400,338</u>

**14. LEASES**

**The Group as a lessee**

The Group has lease contracts for various items of buildings, vessels and containers. Leases of buildings generally have lease terms between 1 and 3 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. Vessels and containers generally have lease terms of 12 months or less. The Group has elected not to recognise right-of-use assets on this short-term lease contract. There are no restrictions or covenants imposed.

**(a) Right-of-use assets**

The carrying amount of the Group’s right-of-use assets and the movements during each of the Relevant Periods are as follows:

	2020 RMB'000	2021 RMB'000	2022 RMB'000
At the beginning of the year	4,076	4,076	4,504
Additions	2,044	3,435	7,958
Disposal of a subsidiary	–	(443)	–
Depreciation provided (note 6)	(2,044)	(2,564)	(4,434)
Carrying amount at the end of the year	<u>4,076</u>	<u>4,504</u>	<u>8,028</u>

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*(b) Lease liabilities*

The carrying amount of lease liabilities and the movements during each of the Relevant Periods are as follows:

	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Carrying amount at the beginning of the year	4,289	4,430	5,031
New leases	2,044	3,435	7,957
Disposal of a subsidiary	–	(172)	–
Accretion of interest recognised during the year	378	434	455
Payments	(2,281)	(3,096)	(5,454)
	<u>4,430</u>	<u>5,031</u>	<u>7,989</u>
Carrying amount at the end of the year	<u>4,430</u>	<u>5,031</u>	<u>7,989</u>
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Analysed into:			
Current portion	2,845	2,915	3,399
Non-current portion	1,585	2,116	4,590
	<u>1,585</u>	<u>2,116</u>	<u>4,590</u>

The maturity analysis of lease liabilities is disclosed in note 39 to the Historical Financial Information.

*(c) The amounts recognised in profit or loss in relation to leases are as follows:*

	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Interest on lease liabilities	378	434	455
Depreciation charge of right-of-use assets	2,044	2,564	4,434
Expense relating to short-term leases (included in cost of sales)	–	1,022,154	1,220,697
	<u>–</u>	<u>1,022,154</u>	<u>1,220,697</u>
Total amount recognised in profit or loss	<u>2,422</u>	<u>1,025,152</u>	<u>1,225,586</u>

The total cash outflow for leases is disclosed in note 32(c) to the Historical Financial Information.

**The Group as a lessor**

The Group leases certain of its container vessels to third parties under operating lease arrangements. Leases for container vessels are negotiated for terms ranging from 1 month to 2 years.

The amounts of rental income recognised by the Group during the Relevant Periods were RMB35,450,000, RMB107,316,000 and RMB218,753,000, respectively.

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During the Relevant Periods, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	<b>2020</b> <i>RMB’000</i>	<b>2021</b> <i>RMB’000</i>	<b>2022</b> <i>RMB’000</i>
Within one year	26,376	49,418	133,872
After one year but within two years	941	13,322	–
	<u>27,317</u>	<u>62,740</u>	<u>133,872</u>

**15. GOODWILL**

	<b>2020</b> <i>RMB’000</i>	<b>2021</b> <i>RMB’000</i>	<b>2022</b> <i>RMB’000</i>
Cost and net carrying amount at the beginning of the year	8,572	8,572	8,572
Acquisition of a subsidiary	–	–	–
Cost and net carrying amount at the end of the year	<u>8,572</u>	<u>8,572</u>	<u>8,572</u>

**Impairment testing of goodwill**

Goodwill acquired through business combinations is allocated to the following cash-generating unit for impairment testing:

***Shanghai Sijin cash-generating unit***

The recoverable amount of the Shanghai Sijin cash-generating unit 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 management. The pre-tax discount rate applied to the cash flow projections is 14.3%, 14.6% and 14.7% during the Relevant Periods. The growth rates used to extrapolate the cash flows beyond the five-year period are 3%, 2.3% and 2.3% as at 31 December 2020, 2021 and 2022, respectively.

Management of the Group 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 carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	<b>2020</b> <i>RMB’000</i>	<b>2021</b> <i>RMB’000</i>	<b>2022</b> <i>RMB’000</i>
Shanghai Sijin	<u>8,572</u>	<u>8,572</u>	<u>8,572</u>

Assumptions were used in the value-in-use calculation of the Shanghai Sijin cash-generating unit during the Relevant Periods. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

**Budgeted revenue** – 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.

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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 used 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.

	2020	2021	2022
Long-term growth rate	3.0%	2.3%	2.3%
Discount rate	<u>14.3%</u>	<u>14.6%</u>	<u>14.7%</u>

### Sensitivity to changes in key assumptions

The management of the Company has performed sensitivity test by decreasing 1% of long-term growth rate or increasing 1% of pre-tax discount rate, with all other assumptions held constant. The impacts on the amount by which Shanghai Sijin cash-generating unit’s recoverable amount above its carrying amount (headroom) are as below:

	2020	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Headroom	15,034	18,084	7,154
Impact by long-term growth rate	(2,021)	(2,087)	(1,595)
Impact by increasing pre-tax discount rate	<u>(3,241)</u>	<u>(3,383)</u>	<u>(2,593)</u>

Considering there was still sufficient headroom based on the assessment, the management of the Company believes that a reasonably possible change in the above key parameters would not cause the carrying amount of Shanghai Sijin cash-generating unit to exceed its recoverable amount as at 31 December 2020, 2021 and 2022.

### 16. INTANGIBLE ASSETS

	2020	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>Software</b>			
At the beginning of the year:			
Cost	6,418	6,418	6,477
Accumulated amortisation	<u>(2,674)</u>	<u>(3,587)</u>	<u>(4,229)</u>
Net carrying amount	<u>3,744</u>	<u>2,831</u>	<u>2,248</u>
Carrying amount at the beginning of the year			
Additions	–	59	254
Amortisation provided during the year (note 6)	<u>(913)</u>	<u>(642)</u>	<u>(375)</u>
Carrying amount at the end of the year	2,831	2,248	2,127
At the end of the year:			
Cost	6,418	6,477	6,731
Accumulated amortisation	<u>(3,587)</u>	<u>(4,229)</u>	<u>(4,604)</u>
Net carrying amount	<u>2,831</u>	<u>2,248</u>	<u>2,127</u>

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**17. INVESTMENT IN ASSOCIATES**

	<b>2020</b> <i>RMB’000</i>	<b>2021</b> <i>RMB’000</i>	<b>2022</b> <i>RMB’000</i>
Share of net assets	<u>6,355</u>	<u>3,416</u>	<u>181</u>

Particulars of the Group’s associates are as follows:

**31 December 2020**

Name	Nominal value of registered share capital	Place of registration and business	Ownership interest	Percentage of Voting power	Profit sharing	Principal activities
上海融倉供應鏈有限公司 Shanghai Rongcang Supply Chain Co., Ltd. (b)	RMB10,000,000	PRC/Mainland China	40%	40%	40%	No commenced operation
寶亮航運有限公司 BAL BRIGHT SHIPPING CO., LIMITED (a)	USD900,000	Hong Kong	45%	45%	45%	Vessel chartering services

**31 December 2021**

Name	Nominal value of registered share capital	Place of registration and business	Ownership interest	Percentage of Voting power	Profit sharing	Principal activities
上海融倉供應鏈有限公司 Shanghai Rongcang Supply Chain Co., Ltd. (b)	RMB10,000,000	PRC/Mainland China	40%	40%	40%	No commenced operation
樂艙網國際物流(無錫)有 限公司 Lecang International Logistics (Wuxi) Co., Ltd.	RMB5,000,000	PRC/Mainland China	40%	40%	40%	Provision of cross-border logistics services

**31 December 2022**

Name	Nominal value of registered share capital	Place of registration and business	Ownership interest	Percentage of Voting power	Profit sharing	Principal activities
樂艙網國際物流(無錫)有 限公司 Lecang International Logistics (Wuxi) Co., Ltd.	RMB5,000,000	PRC/Mainland China	40%	40%	40%	Provision of cross-border logistics services

- (a) On 28 December 2021, the Company entered into an agreement with SKYFIELD DRAGON LTD to dispose of its 45% interest in BAL BRIGHT SHIPPING CO., LIMITED.
- (b) On 27 July 2022, the Company acquired a 60% equity interest in Shanghai Rongcang Supply Chain Co., Ltd. from Ms. Wang Jianhua (王建华) at nil consideration for the purpose of group integration in order to expand the business. Shanghai Rongcang did not constitute a business as defined by IFRS 3 at the date of the acquisition. The transaction was accounted as an asset acquisition. The previously held interest in Shanghai Rongcang (40%) was remeasured at fair value and the difference between the fair value and the carrying amount amounting to RMB5,000 was recorded in profit or loss.

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The following table illustrates the aggregate financial information of the Group’s associates that are not individually material:

	<b>2020</b> <i>RMB’000</i>	<b>2021</b> <i>RMB’000</i>	<b>2022</b> <i>RMB’000</i>
Share of the associate’s profit for the year	281	5,960	(159)
Share of the associate’s total comprehensive income	281	5,960	(159)
Aggregate carrying amount of the Group’s investments in the associates	<u>6,355</u>	<u>3,416</u>	<u>181</u>

The Group’s other receivable balances with associates are disclosed in note 36.

**18. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	<b>2020</b> <i>RMB’000</i>	<b>2021</b> <i>RMB’000</i>	<b>2022</b> <i>RMB’000</i>
<b>Equity investments designated at fair value through other comprehensive income</b>			
Unlisted equity investments, at fair value	<u>–</u>	<u>2,250</u>	<u>2,391</u>

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

**19. INVENTORIES**

	<b>2020</b> <i>RMB’000</i>	<b>2021</b> <i>RMB’000</i>	<b>2022</b> <i>RMB’000</i>
Bunkers	–	15,919	4,403
Consumables and others	<u>3,327</u>	<u>1,120</u>	<u>2,195</u>
	<u>3,327</u>	<u>17,039</u>	<u>6,598</u>

**20. ASSETS HELD FOR SALE**

	<b>2022</b> <i>RMB’000</i>
Carrying amount at the beginning of the year	–
Transferred from property, plant and equipment ( <i>note 13</i> )	124,126
Impairment losses recognised	(36,450)
Exchange realignment	<u>(1,119)</u>
At the end of the year:	<u>86,557</u>

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The movements in provision for impairment of assets held for sale are as follows:

	<b>2022</b> <i>RMB’000</i>
At the beginning of the year	–
Impairment losses recognised ( <i>note 6</i> )	36,450
	<hr/>
At the end of the year:	36,450
	<hr/> <hr/>

The Group had classified the underlying assets as held for sale, as its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The assets for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

**21. TRADE RECEIVABLES**

	<b>2020</b> <i>RMB’000</i>	<b>2021</b> <i>RMB’000</i>	<b>2022</b> <i>RMB’000</i>
Trade receivables	122,490	317,660	164,979
Impairment	(5,178)	(6,373)	(15,839)
	<hr/>	<hr/>	<hr/>
	117,312	311,287	149,140
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Group’s trading terms with its customers are mainly on credit. The credit period is generally 30 to 60 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group’s trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each of Relevant Periods, based on the invoice date, is as follows:

	<b>2020</b> <i>RMB’000</i>	<b>2021</b> <i>RMB’000</i>	<b>2022</b> <i>RMB’000</i>
Within 1 month	93,377	261,424	42,050
1-3 months	24,940	51,464	58,631
3-6 months	700	775	30,185
6-12 months	143	262	34,027
Over 1 year	3,330	3,735	86
	<hr/>	<hr/>	<hr/>
	122,490	317,660	164,979
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

	<b>2020</b> <i>RMB’000</i>	<b>2021</b> <i>RMB’000</i>	<b>2022</b> <i>RMB’000</i>
At beginning of year	4,087	5,178	6,373
Impairment losses, net ( <i>note 6</i> )	1,091	1,195	9,466
	<hr/>	<hr/>	<hr/>
At end of year	5,178	6,373	15,839
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>



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An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group’s trade receivables using a provision matrix:

31 December 2020

	<b>Less than 1 month</b>	<b>1 to 3 months</b>	<b>Past due 3 to 6 months</b>	<b>6 to 12 months</b>	<b>Over 1 year</b>	<b>Total</b>
Expected credit loss rate (%)	1.21	2.49	7.57	30.77	100	4.23
Gross carrying amount (RMB’000)	93,377	24,940	700	143	3,330	122,490
Expected credit losses (RMB’000)	1,130	621	53	44	3,330	5,178

31 December 2021

	<b>Less than 1 month</b>	<b>1 to 3 months</b>	<b>Past due 3 to 6 months</b>	<b>6 to 12 months</b>	<b>Over 1 year</b>	<b>Total</b>
Expected credit loss rate (%)	0.69	1.36	6.71	28.63	100	2.01
Gross carrying amount (RMB’000)	261,424	51,464	775	262	3,735	317,660
Expected credit losses (RMB’000)	1,810	701	52	75	3,735	6,373

31 December 2022

	<b>Less than 1 month</b>	<b>1 to 3 months</b>	<b>Past due 3 to 6 months</b>	<b>6 to 12 months</b>	<b>Over 1 year</b>	<b>Total</b>
Expected credit loss rate (%)	0.62	1.42	8.96	35.14	100	9.60
Gross carrying amount (RMB’000)	42,050	58,631	30,185	34,027	86	164,979
Expected credit losses (RMB’000)	261	830	2,705	11,957	86	15,839

During the year 2022, the Group recognised lifetime ECLs for trade receivables relating to a customer and measured the lifetime ECLs on a specific basis according to management’s assessment of the recoverability of the individual receivable.

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**22. PREPAYMENTS AND OTHER RECEIVABLES**

	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Prepayment	3,834	50,126	406,543
Consideration receivables for disposal of containers	–	246,523	1,392
Deposits	6,364	16,579	9,145
Dividend receivable	–	835	835
Other tax recoverable	1,674	185	482
Consideration receivables	–	9,956	–
Others	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Impairment allowance	<u>(551)</u>	<u>(1,472)</u>	<u>(849)</u>
	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Analysed into:			
Current portion	14,458	317,792	49,276
Non-current portion	<u>128</u>	<u>9,820</u>	<u>377,181</u>

Other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment.

The movements in the loss allowance for impairment of other receivables and deposits are as follows:

	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At beginning of year	507	551	1,472
Impairment losses recognised/(reversed)	<u>44</u>	<u>921</u>	<u>(623)</u>
At end of year	<u>551</u>	<u>1,472</u>	<u>849</u>

**23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Unlisted equity investments, at fair value	–	3,300	6,368
Other unlisted investments, at fair value	<u>–</u>	<u>–</u>	<u>–</u>
	<u>–</u>	<u>3,300</u>	<u>6,368</u>

The above equity investments were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

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**24. CASH AND BANK BALANCES**

	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cash and bank balances	50,669	190,006	339,991
Less: Restricted cash	–	1	–
Pledged deposits	–	–	–
	<u>          </u>	<u>          </u>	<u>          </u>
Cash and cash equivalents	<u>50,669</u>	<u>190,005</u>	<u>339,991</u>

As at 31 December 2021, the restricted cash was restricted due to temporary administration issues.

	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cash and bank balances:			
Denominated in RMB	25,274	10,281	45,495
Denominated in USD	25,395	179,724	294,495
Denominated in HKD	–	–	1
	<u>          </u>	<u>          </u>	<u>          </u>
	<u>50,669</u>	<u>190,005</u>	<u>339,991</u>

RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values at 31 December 2020, 2021 and 2022.

**25. TRADE PAYABLES**

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

	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Within 1 year	141,863	452,050	335,838
Over 1 year	1,750	1,068	552
	<u>          </u>	<u>          </u>	<u>          </u>
	<u>143,613</u>	<u>453,118</u>	<u>336,390</u>

The trade payables are non-interest-bearing and are normally settled on the terms of 30 to 60 days.

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**26. OTHER PAYABLES AND ACCRUALS**

	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Contract liabilities (a)	7,769	39,265	19,585
Deposits	1,765	4,610	6,000
Payroll and welfare payables	3,398	11,795	11,615
Payables for purchase of container	–	6,084	45,432
Consideration payables	99	2,582	–
Other tax payables	69	1,005	405
Others	10,668	18,032	43,756
	<u>23,768</u>	<u>83,373</u>	<u>126,793</u>

*Note:*

(a) Details of contract liabilities are as follows:

	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<i>Short-term advances received from customers</i>			
Cross-border logistics services	<u>7,769</u>	<u>39,265</u>	<u>19,585</u>
Total contract liabilities	<u>7,769</u>	<u>39,265</u>	<u>19,585</u>

Contract liabilities include short-term advances payments received from the customers for the cross-border logistics services, which will be recognised as revenue as the performance obligation is satisfied with one year.

**27. INTEREST-BEARING BANK AND OTHER BORROWINGS**

	31 December 2020		31 December 2021		31 December 2022				
	Effective interest rate (%)	Maturity	Effective interest rate (%)	Maturity	Effective interest rate (%)	Maturity			
<b>Current</b>									
Bank loans – secured	3.75-4.59	2021	12,000	3.65-3.85	2022	10,004	3.65-3.7	2023	10,000
Other loans – secured	–	–	–	8.00	2022	5,095	–	–	–
Current portion of other long-term loans – secured	10.00	2021	18,625	8.90-9.05	2022	51,998	11.81	2023	17,514
			<u>30,625</u>			<u>67,097</u>			<u>27,514</u>
<b>Non-current</b>									
Other loans – secured	10.00	2022	13,528	8.90-9.05	2023	22,943	11.81	2024	19,384
Other loans – unsecured			–			–	4.35	2024	20,032
			<u>13,528</u>			<u>22,943</u>			<u>39,416</u>
			<u>44,153</u>			<u>90,040</u>			<u>66,930</u>

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	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>
Analysed into:			
Bank loans and overdraft repayable:			
Within one year or on demand	12,000	10,004	10,000
	<u>12,000</u>	<u>10,004</u>	<u>10,000</u>
Other borrowings repayable:			
Within one year	18,625	57,093	17,514
In the second year	13,528	22,943	39,416
	<u>32,153</u>	<u>80,036</u>	<u>56,930</u>
	<u>44,153</u>	<u>90,040</u>	<u>66,930</u>

Except for the borrowings in the amounts of RMB32,153,000, RMB80,036,000 and RMB56,930,000 denominated in USD, the remaining borrowings of the Group were denominated in RMB as at 31 December 2020, 2021 and 2022, respectively.

All of the Group’s bank and other borrowings bear interest at fixed interest rates as at 31 December 2020 , 2021 and 2022.

Certain of the bank and other borrowings up to RMB13,809,000, RMB80,036,000 were guaranteed by the controlling shareholders as at 31 December 2020 and 2021, respectively. The guarantees provided by the controlling shareholders have been fully released as at 31 December 2022.

Certain of the bank and other borrowings up to RMB5,000,000 were guaranteed by the controlling shareholders and independent third parties as at 31 December 2020, which has been repaid during the year ended 31 December 2021 and the related guarantees had been fully released accordingly.

Certain of the bank and other borrowings of up to RMB2,000,000, RMB10,004,000 and RMB10,000,000 were guaranteed by a non-controlling shareholder of a subsidiary and his spouse, and an independent third party as at 31 December 2020, 2021 and 2022, respectively, which will not be released upon [REDACTED]. Among the underlying borrowings of RMB10,000,000 as at 31 December 2022, RMB3,000,000 was matured in March 2023 and had been renewed, RMB4,000,000 will be matured in September 2023 and the remaining RMB3,000,000 will be matured in November 2023. The directors expect that the loans will not be settled before [REDACTED] and the guarantees will be continued until the settlement of loans.

The Group has mortgaged the container vessel with carrying amounts of RMB49,166,000, RMB51,736,000 and RMB33,955,000 to secure bank and other borrowings amounting to RMB23,345,000, RMB21,357,000 and RMB36,898,000 as at 31 December 2020, 2021 and 2022. The Group has pledged receivables to secure bank and other borrowings amounting to RMB58,679,000 as at 31 December 2021.

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**28. DEFERRED TAX**

The movements in deferred tax liabilities and assets during the Relevant Periods are as follows:

**Deferred tax assets**

	Lease liability <i>RMB'000</i>	Fair value adjustments arising from financial assets at FVTPL <i>RMB'000</i>	Accrued expenses <i>RMB'000</i>	Fair value adjustments of equity investments at fair value through other comprehensive income <i>RMB'000</i>	Losses available for offsetting against future taxable profits <i>RMB'000</i>	Impairment of financial assets <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2020	945	–	–	63	2,604	901	4,513
Deferred tax (charged)/credited to profit or loss during the year	(35)	–	–	–	(297)	23	(309)
At 31 December 2020 and 1 January 2021	910	–	–	63	2,307	924	4,204
Deferred tax credited/(charged) to profit or loss during the year	258	–	–	–	(880)	618	(4)
Disposal of subsidiary (note 31)	–	–	–	–	–	(104)	(104)
At 31 December 2021 and 1 January 2022	1,168	–	–	63	1,427	1,438	4,096
Deferred tax charged to other comprehensive income	–	–	–	(35)	–	–	(35)
Deferred tax credited/(charged) to profit or loss during the period	433	58	1,058	–	(324)	(324)	901
At 31 December 2022	<u>1,601</u>	<u>58</u>	<u>1,058</u>	<u>28</u>	<u>1,103</u>	<u>1,114</u>	<u>4,962</u>

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**Deferred tax liabilities**

	<b>Fair value adjustments arising from business combinations RMB’000</b>	<b>Right-of-use assets RMB’000</b>	<b>Total RMB’000</b>
At 1 January 2020	817	907	1,724
Deferred tax credited to profit or loss during the year	<u>(88)</u>	<u>(64)</u>	<u>(152)</u>
At 31 December 2020 and 1 January 2021	729	843	1,572
Deferred tax (credited)/charged to profit or loss during the year	<u>(88)</u>	<u>198</u>	<u>110</u>
At 31 December 2021 and 1 January 2022	641	1,041	1,682
Deferred tax (credited)/charged to profit or loss during the period	<u>(88)</u>	<u>610</u>	<u>522</u>
At 31 December 2022	<u><u>553</u></u>	<u><u>1,651</u></u>	<u><u>2,204</u></u>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statements of financial position. The following is an analysis of the deferred tax balances for financial reporting purposes:

	<b>2020 RMB’000</b>	<b>2021 RMB’000</b>	<b>2022 RMB’000</b>
Net deferred tax assets recognised in the consolidated statements of financial position	<u>2,632</u>	<u>2,809</u>	<u>3,010</u>
Net deferred tax liabilities recognised in the consolidated statements of financial position	<u>–</u>	<u>(395)</u>	<u>(252)</u>

Deferred tax assets have not been recognised in respect of the following items:

	<b>2020 RMB’000</b>	<b>2021 RMB’000</b>	<b>2022 RMB’000</b>
Tax losses	<u>546</u>	<u>1,189</u>	<u>3,987</u>

The Group had tax losses arising in Mainland China of RMB13,412,000, RMB12,151,000 and RMB11,717,000 as at 31 December 2020, 2021 and 2022, respectively, that will expire in one to five years for offsetting against future taxable profits of the entities in which the losses arose.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

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As at 31 December 2020, 2021 and 2022, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group’s subsidiaries established in Mainland China. In the opinion of the directors of the Company, the Group’s fund will be retained in Mainland China for the expansion of the Group’s operation so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB53,918,000, RMB436,593,000 and RMB816,836,000 as at 31 December 2020, 2021 and 2022, respectively.

### 29. SHARE CAPITAL

#### Shares

	<b>31 December 2022</b> <i>US\$</i>
Authorised:	
500,000,000 ordinary shares of US\$0.0001	<u>50,000</u>
	<b>31 December 2022</b> <i>RMB’000</i>
Issued and fully paid:	
42,590,526 ordinary shares of US\$0.0001	<u>29</u>

The Company was incorporated in the Cayman Island on 27 July 2022 with an authorised share capital of US\$50,000.00 divided into 500,000,000 shares of US\$0.0001 par value each.

On the date of its incorporation, one share, which was allotted and issued at par to an initial subscriber, an independent third party, was then transferred at par to Lecang Shining Limited, a company ultimately controlled by Ms. Li. For the purpose of reflecting the then shareholding structure of Shandong Lcang before the Reorganization at the offshore level, on the same date, the Company allotted and issued 42,164,521 Shares to the offshore holding vehicles of each of the then shareholders of Shandong Lcang corresponding to their respective shareholdings in Shandong Lcang.

On 7 October 2022, PCW Limited (“PCW”) entered into a share swap agreement with the Company, pursuant to which PCW transferred one share of PCW Investment, representing the entire issued share capital of PCW Investment, to the Company in consideration of the issuance of 426,004 Shares, representing approximately 1.00% of our issued share capital, by the Company to PCW. Upon completion of such share swap, PCW Investment became a wholly-owned subsidiary of the Company and PCW (HK), the wholly-owned subsidiary of PCW Investment, became an indirect wholly-owned subsidiary of the Company.

### 30. RESERVES

The amounts of the Group’s reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

#### (a) Capital reserve

The capital reserve of the Group represents the issued capital of the then holding company of the companies now comprising the Group and the capital contributions from the equity holders of certain subsidiaries now comprising the Group before the completion of the Reorganisation.

#### (b) Fair value reserve of financial assets at fair value through other comprehensive income

The fair value reserve of financial assets at fair value through other comprehensive income represents unrealised fair value gains or losses for equity investment designated at FVOCI.



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**(c) Statutory surplus reserve**

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profit after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Group, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Group. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

**31. DISPOSAL OF SUBSIDIARIES**

**31 December 2021**

The Group disposed of its 36% interest in Jiangsu Xinboya International Logistics to a non-controlling shareholder for a cash consideration of RMB5,400,000 during the year. Net assets disposed of and a reconciliation of disposal loss to cash outflow on disposal are as follows:

	<i>Notes</i>	<i>RMB'000</i>
<b>Net assets disposed of:</b>		
Property, plant and equipment	<i>13</i>	1,425
Right-of-use assets		443
Deferred tax assets	<i>28</i>	104
Cash and cash equivalents		5,264
Financial assets at fair value through profit or loss		4,100
Trade and notes receivables		17,664
Prepayments and other receivables		4,146
Other current assets		1,051
Trade payables		(17,172)
Contract liabilities		(184)
Other payables and accruals		(4,076)
Tax payable		(534)
Other current liabilities		(439)
Lease liabilities		(172)
		<u>11,620</u>
Non-controlling interests		(5,694)
Net assets attributable to the Group disposed of:		5,926
Gain on disposal of a subsidiary		1,724
		<u>7,650</u>
Satisfied by:		
Cash		2,754
Prepayments and other receivables		2,646
Fair value of the Group’s the retained equity interests		2,250
		<u>7,650</u>

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	<i>RMB'000</i>
Cash consideration	2,754
Cash and bank balances disposed of	(5,264)
	<u>(2,510)</u>
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	<u>(2,510)</u>

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**32. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(a) Major non-cash transactions**

During the years ended 31 December 2020, 2021 and 2022, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB2,044,000, RMB3,435,000 and RMB7,958,000 respectively, in respect of lease arrangements for office spaces.

During the year ended 31 December 2022, the Group entered into an agreement with a container supplier, BORT MARINE ENGINEERING PTE. LTD., to extend the payment schedule of payables amounting to RMB19,680,000.00 at a rate of 4.35% due on 31 December 2024.

On 5 August 2022, Mr. Xu and Lcang Enterprise management entered into a share transfer agreement with a deferred closing date, together with a voting rights entrustment agreement and an income rights transfer agreement, pursuant to which (i) Mr. Xu agreed that he shall transfer 6,373,171 shares at a cash consideration amounting to RMB9,711,000, representing approximately 14.96% of the total issued shares of Shandong Lcang (the “Relevant Shares”) to Lcang Enterprise Management on 5 February 2023 and the consideration was settled on 6 February 2023; (ii) prior to the transfer of the Relevant Shares, Mr. Xu agreed to entrust the voting rights and income (including dividends, other distributions and other economic benefits) rights of the Relevant Shares to Lcang Enterprise Management from 5 August 2022.

**(b) Changes in liabilities arising from financing activities**

	<b>Interest- bearing other borrowings</b>	<b>Lease liabilities</b>	<b>Due to related parties</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2020	18,204	4,289	412
Cash flows from financing activities	2,577	(2,281)	(147)
Cash flows from non-financing activities	–	–	32
Acquisition of a subsidiary that is not a business	23,372	–	–
Interest paid	(3,431)	–	–
Interest expense	3,431	378	–
New leases	–	2,044	–
	<u>44,153</u>	<u>4,430</u>	<u>297</u>
At 31 December 2020	<u>44,153</u>	<u>4,430</u>	<u>297</u>
Cash flows from financing activities	45,887	(3,096)	2,831
Cash flows from non-financing activities	–	–	(31)
Interest paid	(7,599)	–	–
Interest expense	7,599	434	–
New leases	–	3,435	–
Disposal	–	(172)	–
	<u>90,040</u>	<u>5,031</u>	<u>3,097</u>
At 31 December 2021	<u>90,040</u>	<u>5,031</u>	<u>3,097</u>
Cash flows from financing activities	(42,790)	(5,454)	(3,097)
Non-cash transaction	19,680	–	9,711
Interest paid	(4,372)	–	–
Interest expense	4,372	455	–
New leases	–	7,957	–
	<u>66,930</u>	<u>7,989</u>	<u>9,711</u>
At 31 December 2022	<u>66,930</u>	<u>7,989</u>	<u>9,711</u>

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**(c) Total cash outflow for leases**

The total cash outflow for leases included in the statement of cash flows is as follows:

	<b>2020</b> <i>RMB’000</i>	<b>2021</b> <i>RMB’000</i>	<b>2022</b> <i>RMB’000</i>
Within operating activities	–	1,034,601	1,216,166
Within financing activities	2,281	3,096	5,454
	<u>2,281</u>	<u>1,037,697</u>	<u>1,221,620</u>

**33. CONTINGENT LIABILITIES**

During the years ended 31 December 2020, 2021 and 2022, there are no material contingent liabilities in the financial statements.

**34. PLEDGE OF ASSETS**

Details of the Group’s assets pledged for the Group’s certain bank and other borrowings at each end of the Relevant Periods are as follows:

	<b>2020</b> <i>RMB’000</i>	<b>2021</b> <i>RMB’000</i>	<b>2022</b> <i>RMB’000</i>
Property, plant and equipment	49,166	51,736	33,955
Trade receivables	–	58,679	–
	<u>49,166</u>	<u>110,415</u>	<u>33,955</u>

**35. COMMITMENTS**

	<b>2020</b> <i>RMB’000</i>	<b>2021</b> <i>RMB’000</i>	<b>2022</b> <i>RMB’000</i>
Contracted but not provided for			
Container vessels	–	–	1,508,722
Investment in associates	3,545	2,600	–
Unlisted equity investment	–	–	3,400
	<u>3,545</u>	<u>2,600</u>	<u>1,512,122</u>

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**36. RELATED PARTY TRANSACTIONS**

**(a) Name of related parties and relationship with the Group**

<b>Name of related parties</b>	<b>Relationship with the Group</b>
許昕 (“Mr. Xu Xin”)	Controlling Shareholder
李艷 (“Ms. Li Yan”)	Controlling Shareholder
朱佳麗 (“Ms. Zhu Jiali”)	The Director of the Group
寧波九州伯樂供應鏈管理服務有限公司 (“Ningbo Jiuzhoubole Supply Chain Management Service Co., Ltd.”)(a)	The associate of the Group
上海融倉供應鏈有限公司 (“Shanghai Rongcang Supply Chain Co., Ltd.”)(b)	The associate of the Group
青島安佳聯網絡科技有限公司 (“Qingdao Anjialian Network Technology Co., Ltd.”)	Company controlled by a close family member of a Director
青島弘毅企業管理合夥企業(有限合夥) (“Qingdao Hongyi Enterprise Management Partnership (Limited Partnership)”)	Company controlled by a close family member of a Controlling Shareholder
樂艙網國際物流(無錫)有限公司 (“Lecang International Logistics (Wuxi) Co., Ltd.”)	The associate of the Group
寶亮航運有限公司 (“BAL BRIGHT SHIPPING CO., LIMITED”)	The associate of the Group
弘毅融資租賃(深圳)有限公司 (“Hony Financial Leasing (Shenzhen) Co., Ltd.”)	Company controlled by a close family member of a Controlling Shareholder
青島樂艙科技有限公司 (“Qingdao Lecang Technology Co., Ltd.”)	Company controlled by a Controlling Shareholder

(a) On 21 September 2020, Ningbo Jiuzhoubole Supply Chain Management Service Co., Ltd. cancelled its registration.

(b) On 27 July 2022, the Company acquired a 60% equity interest in Shanghai Rongcang Supply Chain Co., Ltd. from Ms. Wang Jianhua (王健華) at nil consideration for the purpose of group integration in order to expand the business.

(b) In addition to the transaction detailed in note 32 (a) to the financial statements, the Group had the following transactions with related parties during the Relevant Periods:

	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>Advances to related parties</b>			
Ms. Li Yan	60	3	–
Mr. Xu Xin	35	–	–
Ms. Zhu Jiali	–	–	50
Shanghai Rongcang Supply Chain Co., Ltd.	–	4,770	–
Qingdao Hongyi Enterprise Management Partnership (Limited Partnership)	–	119	–
Qingdao Anjialian Network Technology Co., Ltd.	7,242	4,496	–
BAL BRIGHT SHIPPING CO., LIMITED	112	–	–
Qingdao Lecang Technology Co., Ltd.	–	–	462
	<u>7,449</u>	<u>9,388</u>	<u>512</u>

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	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>Repayment of advances to related parties</b>			
Ms. Li Yan	60	–	3
Mr. Xu Xin	52	–	–
Shanghai Rongcang Supply Chain Co., Ltd.	–	4,770	–
Qingdao Hongyi Enterprise Management Partnership (Limited Partnership)	–	1	–
BAL BRIGHT SHIPPING CO., LIMITED	112	–	–
Qingdao Anjialian Network Technology Co., Ltd.	7,038	4,700	–
	<u>7,262</u>	<u>9,471</u>	<u>3</u>
<b>Advances from related parties</b>			
Shanghai Rongcang Supply Chain Co., Ltd.	3,012	3,060	–
Mr. Xu Xin	22	24	90
Qingdao Anjialian Network Technology Co., Ltd.	8,764	–	–
BAL BRIGHT SHIPPING CO., LIMITED	983	5,711	–
	<u>12,781</u>	<u>8,795</u>	<u>90</u>
<b>Repayment of advances from related parties</b>			
Ms. Li Yan	–	–	–
Mr. Xu Xin	21	1	114
Ningbo Jiuzhoubole Supply Chain Management Service Co., Ltd.	400	–	–
Shanghai Rongcang Supply Chain Co., Ltd.	3,012	–	3,072
Qingdao Anjialian Network Technology Co., Ltd.	8,764	–	1
BAL BRIGHT SHIPPING CO., LIMITED	731	5,963	–
	<u>12,928</u>	<u>5,964</u>	<u>3,187</u>
Internet service fee to Qingdao Anjialian Network Technology Co., Ltd.	<u>75</u>	<u>167</u>	<u>–</u>
Interest income from Qingdao Anjialian Network Technology Co., Ltd.	<u>261</u>	<u>–</u>	<u>–</u>

These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

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**(c) Outstanding balances with related parties**

	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>Due from related parties:</b>			
<b>Non-trade-related</b>			
Qingdao Hongyi Enterprise Management Partnership Limited Partnership	1	119	119
Ms. Li Yan	–	3	–
Ms. Zhu Jiali	–	–	50
Qingdao Anjialian Network Technology Co., Ltd.	204	–	–
Qingdao Lecang Technology Co., Ltd.	–	–	462
	<u>205</u>	<u>122</u>	<u>631</u>
<b>Due to related parties:</b>			
<b>Trade-related</b>			
Qingdao Anjialian Network Technology Co., Ltd.	32	1	–
	<u>32</u>	<u>1</u>	<u>–</u>
<b>Due to related parties:</b>			
<b>Non-trade-related</b>			
Ningbo Jiuzhoubole Supply Chain Management Service Co., Ltd.	–	–	–
Shanghai Rongcang Supply Chain Co., Ltd.	12	3,072	–
Mr. Xu Xin	1	24	9,711
BAL BRIGHT SHIPPING CO., LIMITED	252	–	–
	<u>297</u>	<u>3,097</u>	<u>9,711</u>

The amount due to and due from related parties will be fully settled prior to [REDACTED].

**(d) Other transactions with related parties**

As at 31 December 2020 and 2021, the Group’s borrowings of RMB18,809,000, RMB80,036,000 were guaranteed by Mr Xu Xin and Ms Li Yan, respectively. The guarantees provided by the controlling shareholders have been fully released as at 31 December 2022.

**(e) Compensation of key management personnel of the Group**

	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Salaries, allowances and benefits in kind	953	2,168	4,146
Performance-related bonuses	188	1,483	1,536
Pension scheme contributions and social welfare	98	284	484
	<u>1,239</u>	<u>3,935</u>	<u>6,166</u>
Total compensation paid to key management personnel	<u>1,239</u>	<u>3,935</u>	<u>6,166</u>

Further details of directors’ emoluments are included in note 8 to the Historical Financial Information.

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**37. FINANCIAL INSTRUMENTS BY CATEGORY**

The carrying amounts of each of the categories of financial instruments are as follows:

31 December 2020

Financial assets

	<b>Financial assets at amortised cost</b> <i>RMB'000</i>
Financial assets included in prepayments and other receivables	3,265
Trade receivables ( <i>note 21</i> )	117,312
Due from related parties ( <i>note 36</i> )	205
Cash and cash equivalents ( <i>note 24</i> )	50,669
	<hr/>
	171,451
	<hr/> <hr/>

Financial liabilities

	<b>Financial assets at amortised cost</b> <i>RMB'000</i>
Financial liabilities included in other payables and accruals	10,766
Interest-bearing bank and other borrowings ( <i>note 27</i> )	44,153
Due to related parties ( <i>note 36</i> )	297
Trade payables ( <i>note 25</i> )	143,613
	<hr/>
	198,829
	<hr/> <hr/>

31 December 2021

Financial assets

	<b>Equity investments designated at fair value through other comprehensive income</b> <i>RMB'000</i>	<b>Financial assets at fair value through profit or loss</b> <i>RMB'000</i>	<b>Financial assets at amortised cost</b> <i>RMB'000</i>
Financial assets included in prepayments and other receivables	–	–	14,836
Equity investments at fair value through profit or loss ( <i>note 23</i> )	–	3,300	–
Equity investments at fair value through other comprehensive income ( <i>note 18</i> )	2,250	–	–
Trade receivables ( <i>note 21</i> )	–	–	311,287
Due from related parties ( <i>note 36</i> )	–	–	122
Cash and cash equivalents ( <i>note 24</i> )	–	–	190,005
	<hr/>	<hr/>	<hr/>
	2,250	3,300	516,250
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Financial liabilities

	<b>Financial assets at amortised cost</b> <i>RMB’000</i>
Financial liabilities included in other payables and accruals	18,917
Interest-bearing bank and other borrowings ( <i>note 27</i> )	90,040
Due to related parties ( <i>note 36</i> )	3,097
Trade payables ( <i>note 25</i> )	453,118
	<hr/>
	565,172
	<hr/> <hr/>

31 December 2022

Financial assets

	<b>Equity investments designated at fair value through other comprehensive income</b> <i>RMB’000</i>	<b>Financial assets at fair value through profit or loss</b> <i>RMB’000</i>	<b>Financial assets at amortised cost</b> <i>RMB’000</i>
Financial assets included in prepayments and other receivables	–	–	10,301
Equity investments at fair value through profit or loss ( <i>note 23</i> )	–	6,368	–
Equity investments at fair value through other comprehensive income ( <i>note 18</i> )	2,391	–	–
Trade receivables ( <i>note 21</i> )	–	–	149,140
Due from related parties ( <i>note 36</i> )	–	–	631
Cash and cash equivalents ( <i>note 24</i> )	–	–	339,991
	<hr/>	<hr/>	<hr/>
	2,391	6,368	500,063
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Financial liabilities

	<b>Financial assets at amortised cost</b> <i>RMB’000</i>
Financial liabilities included in other payables and accruals	72,404
Interest-bearing bank and other borrowings ( <i>note 27</i> )	66,930
Due to related parties ( <i>note 36</i> )	9,711
Trade payables ( <i>note 25</i> )	336,390
	<hr/>
	485,435
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38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group’s financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts			Fair values		
	2020	2021	2022	2020	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<b>Financial assets</b>						
Financial assets at fair value through profit or loss	–	3,300	6,368	–	3,300	6,368
Equity investments designated at fair value through other comprehensive income	–	2,250	2,391	–	2,250	2,391
	–	5,550	8,759	–	5,550	8,759

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments and other receivables, deposits, financial liabilities included in other payables and accruals, interest-bearing other borrowings, and amounts due from/to related parties approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The Group invests in unlisted investments, which were classified as financial assets at fair value through profit or loss. The Group has estimated the fair value of these unlisted investments by using asset-based approach, the significant unobservable inputs of which is adjusted carrying amount of net assets. The effect of unobservable inputs is the higher the adjusted carrying amount of net assets, the higher the fair value. If the fair value of the equity investments classified as financial assets at fair value through profit or loss held by the group had been 10% higher/lower, the profits for the year ended 31 December 2022 would have been approximately RMB637,000 lower/higher.

The fair value of the unlisted equity investment designated at fair value through other comprehensive income has been estimated by using the market approach, using the ratio of price to book value (“PB ratio”) of certain comparable companies in the same industry, in arriving at an indicated value of the unlisted equity interest. The valuation takes account of a discount for lack of marketability on this investment. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of each of the Relevant Periods.

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2022:

Description	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
		31 December 2022	
Equity investments designated at fair value through other comprehensive income	Discount for lack of marketability (“DLOM”)	37.85%	The higher the DLOM, the lower the fair value

The DLOM represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

If the fair value of the equity investments designated at at fair value through other comprehensive income held by the Group had been 10% higher/lower, the total comprehensive income for the year ended 31 December 2022 would have been approximately RMB11,000 higher/lower.

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**Fair value hierarchy**

The following tables illustrate the fair value measurement hierarchy of the Group’s financial instruments:

Assets measured at fair value:

31 December 2020

	Fair value measurement using			Total RMB’000
	Quoted prices in active markets (Level 1) RMB’000	Significant observable inputs (Level 2) RMB’000	Significant unobservable inputs (Level 3) RMB’000	
Equity investments designated at fair value through other comprehensive income	–	–	–	–

31 December 2021

	Fair value measurement using			Total RMB’000
	Quoted prices in active markets (Level 1) RMB’000	Significant observable inputs (Level 2) RMB’000	Significant unobservable inputs (Level 3) RMB’000	
Financial assets at fair value through profit and loss	–	–	3,300	3,300
Equity investments designated at fair value through other comprehensive income	–	2,250	–	2,250
	–	2,250	3,300	5,550

31 December 2022

	Fair value measurement using			Total RMB’000
	Quoted prices in active markets (Level 1) RMB’000	Significant observable inputs (Level 2) RMB’000	Significant unobservable inputs (Level 3) RMB’000	
Financial assets at fair value through profit and loss	–	–	6,368	6,368
Equity investments designated at fair value through other comprehensive income	–	–	2,391	2,391
	–	–	8,759	8,759

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There were no transfers of fair value measurements between Level 1 and Level 2 and no other transfers into or out of Level 3 for both financial assets and financial liabilities during the Relevant Periods except for the fair value measurements of equity investments designated at fair value through other comprehensive income being transferred out of Level 2 and transferred into Level 3 during 2022.

The movements in fair value measurements within Level 3 during the Relevant Periods are as follows:

	2020	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Equity investments at FVTPL and FVOCI:			
At the beginning of the year	–	–	3,300
Purchase	–	3,300	3,300
Total gains recognised in profit	–	–	(232)
Total gains recognised in other comprehensive income	–	–	141
Transfer out of Level 2(a)	–	–	2,250
	<u>–</u>	<u>–</u>	<u>2,250</u>
At the end of the year	<u>–</u>	<u>3,300</u>	<u>8,759</u>

(a) Transferred from Level 2 to Level 3 because observable recent transaction became unavailable for the unlisted investments.

**39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group’s principal financial instruments mainly include financial assets included in trade and notes receivables, the amounts due from related parties, prepayments and other receivables, cash and cash equivalents, financial liabilities included in other payables and accruals, which arise directly from its operations. The Group has other financial assets and liabilities such as interest-bearing other borrowings. The main purpose of these financial instruments is to raise finance for the Group’s operations.

The main risks arising from the Group’s financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. To keep the Group’s exposure to these risks at a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) *Interest rate risk*

The Group’s exposure to risk for changes in market interest rates relates primarily to the Group’s other borrowings set out in note 26. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using a fixed rate.

(b) *Foreign currency risk*

The Group has minimal transactional currency exposure as most of the Group’s sales and purchases by operating units are denominated in the functional currencies of the relevant operating units. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

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The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group’s profit before (or after) tax (due to changes in the fair values of monetary assets and liabilities) and the Group’s equity (due to changes in the fair value of forward currency contracts).

	<b>Increase/ (decrease) in rate</b> %	<b>Increase/ (decrease) in profit before tax</b> RMB’000
<b>2020</b>		
If RMB weakens against US\$	(5.0)	2,626
If RMB strengthens against US\$	5.0	(2,626)
	<u>5.0</u>	<u>(2,626)</u>

	<b>Increase/ (decrease) in rate</b> %	<b>Increase/ (decrease) in profit before tax</b> RMB’000
<b>2021</b>		
If RMB weakens against US\$	(5.0)	7,181
If RMB strengthens against US\$	5.0	(7,181)
	<u>5.0</u>	<u>(7,181)</u>

	<b>Increase/ (decrease) in rate</b> %	<b>Increase/ (decrease) in profit before tax</b> RMB’000
<b>2022</b>		
If RMB weakens against US\$	(5.0)	2,351
If RMB strengthens against US\$	5.0	(2,351)
	<u>5.0</u>	<u>(2,351)</u>

**(c) Credit risk**

The Group is exposed to credit risk in relation to its trade and notes receivables, financial assets included in prepayments and other receivables, amounts due from related parties, and cash and cash equivalents.

The Group expects that there is no significant credit risk associated with cash and cash equivalents since they are deposited at state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from the non-performance risk by these counterparties.

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected credit loss provision for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the shared credit risk characteristics and the days past due. The expected credit loss also incorporates forward-looking information. As at 31 December 2020, 2021 and 2022, the Group has assessed that the expected credit loss rate for trade-related amounts due from related parties was low since the related parties have a strong capacity to meet the contractual cash flow obligation in the near term. Therefore, no impairment provision was recognised during the Relevant Periods for trade-related amounts due from related parties.

For trade receivables from third parties, the Group has a large number of customers and there was no concentration of credit risk as the customer base of the Group’s trade receivables is widely dispersed. In addition, the receivable balances are monitored on an ongoing basis.

The Group expected there is no significant credit risk associated with financial assets included in prepayments and other receivables since they have low historical default risk.

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The Group expected the credit risk associated with non-trade-related amounts due from related parties to be low, since they have a strong capacity to meet the contractual cash flow obligation in the near term. The Group has assessed that the ECL rate for non-trade-related amounts due from related parties was immaterial under the 12-month ECL method and considered them to have low risk, and thus the loss allowance was immaterial.

*Maximum exposure and year-end staging*

The tables below show the credit quality and the maximum exposure to credit risk based on the Group’s credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2020, 2021 and 2022.

As at 31 December 2020

	12-month ECLs		Lifetime ECLs		Simplified approach	Total
	Stage 1	Stage 2	Stage 3			
	RMB’000	RMB’000	RMB’000		RMB’000	RMB’000
Trade receivables	–	–	–		122,490	122,490
Financial assets included in prepayments and other receivables –						
Normal	3,265	–	–		–	3,265
Due from related parties	205	–	–		–	205
Cash and cash equivalents – Not yet past due	50,669	–	–		–	50,669
	<u>54,139</u>	<u>–</u>	<u>–</u>		<u>122,490</u>	<u>176,629</u>

As at 31 December 2021

	12-month ECLs		Lifetime ECLs		Simplified approach	Total
	Stage 1	Stage 2	Stage 3			
	RMB’000	RMB’000	RMB’000		RMB’000	RMB’000
Trade receivables	–	–	–		317,660	317,660
Financial assets included in prepayments and other receivables –						
Normal	14,836	–	–		–	14,836
Due from related parties	122	–	–		–	122
Cash and cash equivalents – Not yet past due	190,005	–	–		–	190,005
	<u>204,963</u>	<u>–</u>	<u>–</u>		<u>317,660</u>	<u>522,623</u>

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As at 31 December 2022

	12-month ECLs		Lifetime ECLs		Simplified approach RMB’000	Total RMB’000
	Stage 1 RMB’000	Stage 2 RMB’000	Stage 3 RMB’000			
Trade receivables	–	–	34,266		130,713	164,979
Financial assets included in prepayments and other receivables –						
Normal	10,301	–	–		–	10,301
Due from related parties	631	–	–		–	631
Cash and cash equivalents – Not yet past due	339,991	–	–		–	339,991
	<u>350,923</u>	<u>–</u>	<u>34,266</u>		<u>130,713</u>	<u>515,902</u>

\* For trade receivables to which the Group applied the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 to the Historical Financial Information.

\*\* The credit quality of the financial assets included in prepayments and other receivables and amounts due from related parties is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

**(d) Liquidity risk**

The Group’s 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.

The maturity profile of the Group’s financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, was as follows:

**31 December 2020**

	Less than 3 months or on demand RMB’000	More than 3 months and within 1 year RMB’000	Over 1 year RMB’000	Total RMB’000
Trade payables (note 25)	143,613	–	–	143,613
Other payables and accruals	10,766	–	–	10,766
Interest-bearing bank and other borrowings	4,571	30,165	14,498	49,234
Lease liabilities	743	2,177	1,826	4,746
Due to related parties (note 36)	297	–	–	297
	<u>159,990</u>	<u>32,342</u>	<u>16,324</u>	<u>208,656</u>

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**31 December 2021**

	Less than 3 months or on demand <i>RMB’000</i>	More than 3 months and within 1 year <i>RMB’000</i>	Over 1 year <i>RMB’000</i>	Total <i>RMB’000</i>
Trade payables ( <i>note 25</i> )	453,118	–	–	453,118
Other payables and accruals	18,917	–	–	18,917
Interest-bearing bank and other borrowings	19,228	49,764	25,405	94,397
Lease liabilities	812	2,437	3,453	6,702
Due to related parties ( <i>note 36</i> )	3,097	–	–	3,097
	<u>495,172</u>	<u>52,201</u>	<u>28,858</u>	<u>576,231</u>

**31 December 2022**

	Less than 3 months or on demand <i>RMB’000</i>	More than 3 months and within 1 year <i>RMB’000</i>	Over 1 year <i>RMB’000</i>	Total <i>RMB’000</i>
Trade payables ( <i>note 25</i> )	336,390	–	–	336,390
Other payables and accruals	72,404	–	–	72,404
Interest-bearing bank and other borrowings	8,688	23,983	41,935	74,606
Lease liabilities	1,182	3,545	4,740	9,467
Due to related parties ( <i>note 36</i> )	9,711	–	–	9,711
	<u>428,375</u>	<u>27,528</u>	<u>46,675</u>	<u>502,578</u>

**(e) Capital management**

The primary objectives of the Group’s capital management are to safeguard the Group’s ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders’ value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is the sum of interest-bearing borrowings and due to related parties divided by total equity. The gearing ratio as at 31 December 2020, 2021 and 2022 was as follows:

	2020 <i>RMB’000</i>	2021 <i>RMB’000</i>	2022 <i>RMB’000</i>
Interest-bearing bank and other borrowings ( <i>note 27</i> )	44,153	90,040	66,930
Due to related parties ( <i>note 36</i> )	297	3,097	9,711
	<u>106,708</u>	<u>481,965</u>	<u>891,179</u>
Total equity	106,708	481,965	891,179
Gearing ratio	<u>41.7%</u>	<u>19.3%</u>	<u>8.6%</u>

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**40. INVESTMENTS IN SUBSIDIARIES**

	<b>2022</b>
	<i>RMB’000</i>
Interest in subsidiaries, at cost	8,390
	<u>8,390</u>

Details of the subsidiaries of the Company are disclosed in CORPORATE INFORMATION.

LC (BVI) was incorporated in the BVI with limited liability on 5 August 2022 as the intermediate holding company of the Group in the BVI. On the date of its incorporation, one share of LC (BVI) was allotted and issued to the Company at par and LC (BVI) then became wholly owned by the Company.

PCW Investment was incorporated in the BVI with limited liability on 29 June 2022 and a wholly owned subsidiary of the Company, the amount of investment in which is RMB8,390,000. On 7 October 2022, PCW entered into a share swap agreement with the Company, pursuant to which PCW transferred one share of PCW Investment, representing the entire issued share capital of PCW Investment, the Company in consideration of the issuance of 426,004 Shares, representing approximately 1.00% of our issued share capital, by the Company to PCW. Upon completion of such share swap, PCW Investment became a wholly-owned subsidiary of the Company. PCW is a company incorporated in BVI with limited liability and is wholly owned by Mr. Wang Cheng.

**41. EVENTS AFTER THE REPORTING PERIOD**

[There have been no material events subsequent to the Relevant Period, which require adjustment or disclosure in accordance with IFRSs.]

**42. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2022.



**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following information does not form part of the Accountants’ Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company’s reporting accountants, as set out in Appendix I to this document, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with “Financial Information” and the Accountants’ Report set out in Appendix I to this document.

**A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS**

The following unaudited pro forma adjusted net tangible assets of the Group has been prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the [REDACTED] on our consolidated net tangible assets of the Group as of 31 December 2022 as if it had taken place on 31 December 2022.

The unaudited pro forma adjusted net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the [REDACTED] been completed as of 31 December 2022 or any future date. It is prepared based on our consolidated net tangible assets as of 31 December 2022 as set out in the Accountants’ Report as set out in Appendix I to this document, and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets does not form part of the Accountants’ Report as set out in Appendix I to this document.

	Audited Net Tangible Assets of our Group as of 31 December 2022 RMB’000 (Note 1)	Estimated [REDACTED] from the [REDACTED] RMB’000 (Note 2)	Unaudited Pro Forma Adjusted Net Tangible Assets of our Group RMB’000	Unaudited Pro Forma Adjusted Net Tangible Assets per Share	
				RMB (Note 3)	HK\$ (Note 4)
Based on an [REDACTED] of HK\$[REDACTED] per Share	[868,210]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK\$[REDACTED] per Share	[868,210]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

*Notes:*

- (1) The net tangible assets attributable to owners of the Company as of December 31, 2022 is calculated by excluding non-controlling interests amounting to RMB12.3 million, goodwill amounting to RMB8.6 million and intangible assets amounting to RMB2.1 million from total equity amounting to RMB891.2 million.
- (2) The estimated [REDACTED] from the [REDACTED] are based on the [REDACTED] of HK\$[REDACTED] per Share or HK\$[REDACTED] per Share, after deduction of the [REDACTED] fees and other related expenses payable by the Company (excluding [REDACTED] of approximately RMB[REDACTED] which have been accounted for in the Group’s consolidated statement of comprehensive income prior to 31 December 2022) and does not take into account of any Shares which may be issued upon the exercise of the [REDACTED]. The estimated [REDACTED] from the [REDACTED] are converted from Hong Kong dollars into Renminbi at an exchange rate of HK\$1.0 to RMB[0.8821].
- (3) The unaudited pro forma adjusted net tangible assets per Share is calculated based on [REDACTED] Shares in issue immediately following the completion of the [REDACTED] and does not take into account of any Shares which may be issued upon the exercise of the [REDACTED].
- (4) The unaudited pro forma adjusted net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.0 to RMB[0.8821].
- (5) No adjustment has been made to reflect any trading results, or other transactions of the Group entered into, subsequent to 31 December 2022.

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**APPENDIX II            UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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[REDACTED]

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**APPENDIX II            UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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[REDACTED]

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**APPENDIX II            UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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[REDACTED]

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## APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

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Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 27 July, 2022 under the Companies Act (As Revised) of the Cayman Islands (the "Companies Act"). The Company's constitutional documents consist of its Memorandum of Association (the "Memorandum") and its Articles of Association (the "Articles").

### 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Act and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

### 2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [●] with effect from the [REDACTED]. The following is a summary of certain provisions of the Articles:

#### (a) Shares

##### (i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

##### (ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the

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necessary quorum (including at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

### *(iii) Alteration of capital*

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

### *(iv) Transfer of shares*

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

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Notwithstanding the foregoing, for so long as any shares are [REDACTED] on the Stock Exchange, titles to such [REDACTED] shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such [REDACTED] shares. The register of members in respect of its [REDACTED] shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such [REDACTED] shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year. The period of thirty (30) days may be extended for a further period or periods not exceeding thirty (30) days in respect of any year if approved by members by ordinary resolution.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

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*(v) Power of the Company to purchase its own shares*

The Company is empowered by the Companies Act and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

The board may accept the surrender for no consideration of any fully paid share.

*(vi) Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

*(vii) Calls on shares and forfeiture of shares*

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.



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A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

**(b) Directors**

*(i) Appointment, retirement and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election.

A Director (including a managing or other executive Director) may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

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- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

***(ii) Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Act and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Act and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

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Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

*(iii) Power to dispose of the assets of the Company or any of its subsidiaries*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting.

*(iv) Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*(v) Remuneration*

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing

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director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company’s monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

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*(vi) Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

*(vii) Loans and provision of security for loans to Directors*

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

*(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

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A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) the giving of any security or indemnity either:–
  - (aaa) to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or
  - (bbb) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (bb) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (cc) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:–
  - (aaa) the adoption, modification or operation of any employees’ share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or
  - (bbb) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Directors, his close associate(s) and employee(s) of the Company or any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

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**(c) Proceedings of the Board**

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

**(d) Alterations to constitutional documents and the Company's name**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

**(e) Meetings of members**

**(i) *Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

**(ii) *Voting rights and right to demand a poll***

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.



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At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. Votes (whether on a show of hands or by way of poll) may be cast by such means, electronic or otherwise, as the Directors or the chairman of the meeting may determine.

Any corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any general meeting of the Company or at any meeting of any class of members.

The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member and such corporation shall for the purposes of the Articles be deemed to be present in person at any such meeting if a person so authorised is present thereat.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, the right to speak and to vote, and where a show of hands is allowed, the right to vote individually on a show of hands.

All members have the right to speak and vote at a general meeting except where a member is required, by the rules of the Stock Exchange, to abstain from voting to approve the matter under consideration.

Where the Company has any knowledge that any member is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.



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*(iii) Annual general meetings and extraordinary general meetings*

The Company must hold an annual general meeting of the Company for each financial year and such general meeting must be held within six (6) months after the end of the Company’s financial year unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings, on a one vote per share basis. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business or resolution specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitioner(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of the board shall be reimbursed to the requisitioner(s) by the Company.

Notwithstanding any provisions in the Articles, any general meeting or any class meeting may be held by means of such telephone, electronic or other communication facilities as to permit all persons participating in the meeting to communicate with each other, and participation in such a meeting shall constitute presence at such meeting.

*(iv) Notices of meetings and business to be conducted*

An annual general meeting must be called by notice of not less than twenty-one (21) clear days. All other general meetings must be called by notice of at least fourteen (14) clear days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member’s registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

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All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
  - (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
  - (cc) the election of directors in place of those retiring;
  - (dd) the appointment of auditors and other officers; and
  - (ee) the fixing of the remuneration of the directors and of the auditors.
- (v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy or, for quorum purposes only, two persons appointed by the clearing house as authorized representative or proxy, and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.



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**(g) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

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Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

**(h) Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members maintained in Hong Kong shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Act or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

**(i) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

**(j) Procedures on liquidation**

Unless otherwise provided by the Companies Act, a resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

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- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(k) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

**3. CAYMAN ISLANDS COMPANY LAW**

The Company is incorporated in the Cayman Islands subject to the Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

**(a) Company operations**

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.













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**(l) Loans to directors**

There is no express provision in the Companies Act prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

**(n) Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Act. A branch register must be kept in the same manner in which a principal register is by the Companies Act required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

**(o) Register of Directors and Officers**

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.





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**(t) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**(u) Economic Substance Requirements**

Pursuant to the International Tax Cooperation (Economic Substance) Act of the Cayman Islands ("ES Act") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

**4. GENERAL**

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the section headed "Documents On Display" in Appendix V to this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

## APPENDIX IV

## STATUTORY AND GENERAL INFORMATION

### A. FURTHER INFORMATION ABOUT OUR COMPANY

#### 1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on July 27, 2022. Our Company has established its principal place of business in Hong Kong at 40th Floor, Dah Sing Financial Center, No. 248 Queen’s Road East, Wanchai, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on November 7, 2022. Ms. Ho Yin Kwan has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operations are subject to the Cayman Companies Act, the Memorandum and the Articles of Association and the applicable laws of Cayman Islands. A summary of certain provisions of the Memorandum and Articles of Association and relevant aspects of the Cayman Companies Act is set out in “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix III to this document.

#### 2. Changes in the share capital of our Company

As of the date of incorporation of our Company, the authorized share capital of our Company was US\$50,000 divided into 500,000,000 Shares of US\$0.0001 each. Upon its incorporation, a total of 42,164,522 Shares were allotted and issued at par in the following manner:

- (a) one Share to an initial subscriber who is an Independent Third Party, and such Share was transferred to Lecang Shining which was ultimately controlled by Ms. Li (our Controlling Shareholder and executive Director);
- (b) 3,269,386 Shares to Lecang Shining;
- (c) 4,048,710 Shares to Lecang Flourishing;
- (d) 2,116,907 Shares to Power Bright;
- (e) 2,000,000 Shares to Lecang Liberty;
- (f) 1,933,700 Shares to Cassia Treasure;
- (g) 1,800,000 Shares to Lecang Vast Galaxy;
- (h) 1,784,841 Shares to Lecang Crystal;
- (i) 1,283,025 Shares to Lecang Blooming;

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- (j) 1,220,000 Shares to Lecang Champion;
- (k) 1,054,000 Shares to Wind Blue;
- (l) 937,500 Shares to Lecang Luxuriant;
- (m) 900,000 Shares to Lecang Soar;
- (n) 390,000 Shares to Lecang Vast Star;
- (o) 319,000 Shares to Lecang Amazing;
- (p) 5,042,100 Shares to Glorious Sailing;
- (q) 12,649,387 Shares to Lecang Altitude; and
- (r) 1,415,965 Shares to Lecang Fantasy.

Pursuant to the written resolutions of our Shareholders passed on [●], 2023, our authorized share capital was increased from US\$50,000 to US\$[REDACTED] by the creation of an additional [REDACTED] Shares, and following such increase, the authorized share capital of our Company was US\$[REDACTED] divided into [REDACTED] Shares of US\$0.0001 each.

Immediately following completion of the [REDACTED] and the [REDACTED] and without taking into account any Shares which may be issued upon the exercise of the [REDACTED] or any option which may be granted under the [REDACTED] Share Scheme, the issued share capital of our Company will be US\$[REDACTED] divided into [REDACTED] Shares, all fully paid or credited as fully paid, and [REDACTED] Shares will remain unissued.

Save as disclosed in “—2. Changes in the share capital of our Company” and as mentioned in “—4. Written resolutions of our Shareholders passed on [●], 2023” below, there has been no alteration in the share capital of our Company since its incorporation.

### **3. Changes in the share capital of our subsidiaries**

Our subsidiaries are set out in the Accountants’ Report, the text of which is set out in Appendix I to this document.

The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this document:



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### *Lcang Enterprise Management*

On August 24, 2022, the registered capital of Lcang Enterprise Management was increased from RMB5 million to RMB5.94 million.

On September 27, 2022, the registered capital of Lcang Enterprise Management was increased from RMB5.94 million to RMB6 million.

On October 9, 2022, the registered capital of Lcang Enterprise Management was increased from RMB6 million to RMB86 million.

### *Qingdao Boya*

On February 23, 2023, the registered capital of Qingdao Boya was increased from US\$0.8 million to US\$1.8 million.

For details of the above, see “History, Reorganization and Corporate Structure—Reorganization.”

#### **4. Written resolutions of our Shareholders passed on [●], 2023**

Pursuant to the written resolutions passed by our Shareholders on [●], 2023, among other matters:

- (a) we approved and conditionally adopted the amended and restated Memorandum and Articles which will become effective upon [REDACTED];
- (b) the authorized share capital of our Company was increased from US\$50,000 divided into 500,000,000 Shares to US\$[REDACTED] divided into [REDACTED] Shares by the creation of an additional [REDACTED] Shares ranking pari passu in all aspects with the existing Shares with immediate effect;
- (c) conditional on (aa) the Stock Exchange granting the approval for the [REDACTED] of, and permission to [REDACTED], the Shares in issue and Shares to be allotted and issued pursuant to the [REDACTED] and the [REDACTED] and as mentioned in this document including the Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and any options which may be granted under the [REDACTED] Share Scheme; (bb) the [REDACTED] having been duly determined; and (cc) the obligations of the [REDACTED] under the [REDACTED] Agreements becoming unconditional and not being terminated in accordance with the terms of such agreement (or any conditions as specified in this document), in each case on or before the dates and times specified in the [REDACTED] Agreements:
  - (i) the [REDACTED] was approved and our Directors were authorized to allot and issue the [REDACTED] pursuant to the [REDACTED];
  - (ii) the [REDACTED] was approved and our Directors were authorized to allot and issue Shares upon the exercise of the [REDACTED];

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- (iii) the rules of the [REDACTED] Share Scheme, the principal terms of which are set out in "—D. [REDACTED] Share Scheme" below in this appendix, were approved and adopted and our Directors were authorized, at their absolute discretion, to grant options to [REDACTED] for Shares thereunder and to allot, issue and [REDACTED] with Shares pursuant to the exercise of options granted under the [REDACTED] Share Scheme;
- (iv) conditional on the share premium account of our Company being credited as a result of the [REDACTED], our Directors were authorized to [REDACTED] US\$[REDACTED] standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par [REDACTED] Shares for issue and allotment to holders of Shares whose names appear on the register of members of our Company on the date of passing this resolution in proportion (as near as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholdings in our Company;
- (v) a general unconditional mandate was given to our Directors to allot, issue and [REDACTED] with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to a specific authority granted by the Shareholders in general meeting, unissued Shares not exceeding the aggregate of 20% of the number of issued Shares immediately following the completion of the [REDACTED] and the [REDACTED] (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] or any options which may be granted under the [REDACTED] Share Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;
- (vi) a general unconditional mandate was given to our Directors authorizing them to exercise all powers of our Company to buy back on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be [REDACTED] and which is recognized by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the number of issued Shares immediately following the completion of the [REDACTED] and the [REDACTED] (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] or any options which may be granted under the [REDACTED] Share Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by

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the Articles of Association or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first; and

- (vii) the general unconditional mandate mentioned in paragraph (v) above was extended by the addition to the number of issued Shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the total number of issued Shares bought back by our Company pursuant to the mandate to buy back Shares referred to in paragraph (v) above.

### 5. Reorganization

In preparation for the [REDACTED], the companies comprising our Group underwent the Reorganization and our Company became the holding company of our Group. For further details of the Reorganization, see “History, Reorganization and Corporate Structure—Reorganization.”

### 6. Buyback by our Company of our own securities

This section includes information required by the Stock Exchange to be included in this document concerning the buyback by our Company of our own securities.

#### *(a) Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

#### *(i) Shareholders’ approval*

The Listing Rules provide that all proposed buybacks of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

*Note:* Pursuant to the written resolutions passed by our Shareholders on [●], 2023, a general unconditional mandate (the “**Buyback Mandate**”) was granted to our Directors authorizing the buyback of shares by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, with the total number of Shares not exceeding 10% of the total number of Shares in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by an applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

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*(ii) Source of funds*

Buybacks must be funded out of funds legally available for the purpose in accordance with the Memorandum and the Articles, the Listing Rules and the Cayman Companies Act. A listed company may not buyback its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

*(iii) Core connected persons*

The Listing Rules prohibit our Company from knowingly buying back the Shares on the Stock Exchange from a “core connected person”, which includes a director, chief executive or substantial shareholder of our Company or any of the subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell his/her/its Shares to our Company.

***(b) Reasons for buybacks***

Our Directors believe that it is in the best interests of our Company and our Shareholders as a whole for our Directors to have a general authority from our Shareholders to enable our Company to buy back Shares in the market. Such buybacks may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company’s net asset value per Share and/or earnings per Share and will only be made when our Directors believe that such buybacks will benefit our Company and our Shareholders.

***(c) Funding of buyback***

In buying back Shares, our Company may only apply funds legally available for such purpose in accordance with our Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

It is presently proposed that any buyback of Shares will be made out of the profits of our Company, the share premium amount of our Company or the proceeds of a fresh issue of Shares made for the purpose of the buyback and, in the case of any premium payable on the purchase over the par value of the Shares to be bought back must be provided for, out of either or both of the profits of our Company or from sums standing to the credit of the share premium account of our Company. Subject to the Cayman Companies Act, a buyback of Shares may also be paid out of capital.

On the basis of the current financial position of our Group as disclosed in “Financial Information” in this document and taking into account the current working capital position of our Company, our Directors consider that, if the Buyback Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared to the position disclosed in this document.

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However, our Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of our Group which in the opinion of our Directors are from time to time appropriate for our Group.

### *(d) Share capital*

The exercise in full of the Buyback Mandate, on the basis of [REDACTED] Shares in issue immediately after the [REDACTED] (but not taking into account of our Shares which may be issued pursuant to the exercise of the [REDACTED] or any options that may be granted under the [REDACTED] Share Scheme), would result in up to [REDACTED] Shares being bought back by our Company during the period until:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles of Association to be held; or
- (iii) the date on which the Buyback Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

### *(e) General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), has any present intention if the Buyback Mandate is exercised to sell any Share(s) to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a buyback of Shares pursuant to the Buyback Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed in this section, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a buyback pursuant to the Buyback Mandate. Our Directors have no present intention to exercise the power to buy back Shares to such extent.

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If the Buyback Mandate is fully exercised immediately following completion of the [REDACTED] (but not taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] or any options that may be granted under the [REDACTED] Share Scheme), the total number of Shares which will be bought back pursuant to the Buyback Mandate will be [REDACTED] Shares, being 10% of the total number of Shares based on the aforesaid assumptions. The percentage of total number of issued Shares in which our Controlling Shareholders are interested will be increased to approximately [REDACTED]% of the issued share capital of our Company immediately following the full exercise of the Buyback Mandate. Any buyback of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the [REDACTED] under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Buyback Mandate to such an extent that, in the circumstances, there is insufficient [REDACTED] as prescribed under the Listing Rules.

No core connected person of our Company has notified our Group that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Buyback Mandate is exercised.

### B. FURTHER INFORMATION ABOUT OUR BUSINESS

#### 1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are material:

- (a) an equity transfer agreement (股權轉讓協議) dated December 20, 2021 entered into among Shandong Lcang International Logistics Inc. Corp. Ltd (山東樂艙網國際物流股份有限公司), Mr. Zhu Dong (朱東), Ms. Tang Lili (唐麗麗) and Jiangsu Xinboya International Logistics Co., Ltd. (江蘇鑫博亞國際物流有限公司), pursuant to which Shandong Lcang International Logistics Inc. Corp. Ltd agreed to transfer 18% and 18% of equity interest in Jiangsu Xinboya International Logistics Co., Ltd. (江蘇鑫博亞國際物流有限公司) to Mr. Zhu Dong and Ms. Tang Lili, at a consideration of RMB2,700,000 and RMB2,700,000, respectively;
- (b) an equity transfer agreement dated December 28, 2021 entered into between SKYFIELD DRAGON LTD. as transferor and BURNGROUP HOLDING CO., LIMITED (博亞集團控股(香港)有限公司) as transferee, pursuant to which SKYFIELD DRAGON LTD. agreed to transfer 10% equity interest in BAL QINGDAO SHIPPING ENTERPRISE CO., LIMITED to BURNGROUP HOLDING CO., LIMITED at a consideration of USD795,000.



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- (c) an equity transfer agreement (股權轉讓協議) dated June 13, 2022 entered into among Ms. Wang Jianhua (王建華), Shandong Lcang International Logistics Inc. Corp. Ltd (山東樂艙網國際物流股份有限公司) and Hainan Rongcang Supply Chain Co., Ltd. (海南融倉供應鏈有限公司), pursuant to which Ms. Wang Jianhua and Shandong Lcang International Logistics Inc. Corp. Ltd agreed to transfer 60% and 40% of equity interest in Shanghai Rongcang Supply Chain Co., Ltd. (上海融倉供應鏈有限公司) to Hainan Rongcang Supply Chain Co., Ltd. at nil consideration respectively;
- (d) a share transfer agreement (股份轉讓協議) dated June 20, 2022 entered into between Mr. Fu Dazheng (傅達正) as transferor and Shandong Lcang Enterprise Management Service Co., Ltd. (山東樂艙企業管理服務有限公司) as transferee, pursuant to which Mr. Fu agreed to transfer 390,000 shares of Shandong Lcang International Logistics Inc. Corp. Ltd (山東樂艙網國際物流股份有限公司) to Shandong Lcang Enterprise Management Service Co., Ltd. at a consideration of RMB594,282;
- (e) a share transfer agreement (股份轉讓協議) dated June 20, 2022 entered into between Ms. Liu Lin (劉琳) as transferor and Shandong Lcang Enterprise Management Service Co., Ltd. (山東樂艙企業管理服務有限公司) as transferee, pursuant to which Ms. Liu agreed to transfer 1,680,200 shares of Shandong Lcang International Logistics Inc. Corp. Ltd (山東樂艙網國際物流股份有限公司) to Shandong Lcang Enterprise Management Service Co., Ltd. at a consideration of RMB2,560,288.76;
- (f) a share transfer agreement (股份轉讓協議) dated June 20, 2022 entered into between Mr. Liu Yi (劉軼) as transferor and Shandong Lcang Enterprise Management Service Co., Ltd. (山東樂艙企業管理服務有限公司) as transferee, pursuant to which Mr. Liu agreed to transfer 2,116,907 shares of Shandong Lcang International Logistics Inc. Corp. Ltd (山東樂艙網國際物流股份有限公司) to Shandong Lcang Enterprise Management Service Co., Ltd. at a consideration of RMB3,225,742.89;
- (g) a share transfer agreement (股份轉讓協議) dated June 20, 2022 entered into between Ms. Zhang Xinhe (張鑫鶴) as transferor and Shandong Lcang Enterprise Management Service Co., Ltd. (山東樂艙企業管理服務有限公司) as transferee, pursuant to which Ms. Zhang agreed to transfer 1,800,000 shares of Shandong Lcang International Logistics Inc. Corp. Ltd (山東樂艙網國際物流股份有限公司) to Shandong Lcang Enterprise Management Service Co., Ltd. at a consideration of RMB2,742,840;
- (h) a share transfer agreement (股份轉讓協議) dated June 20, 2022 entered into between Mr. Dai Suohong (戴鎖洪) as transferor and Shandong Lcang Enterprise Management Service Co., Ltd. (山東樂艙企業管理服務有限公司) as transferee, pursuant to which Mr. Dai agreed to transfer 104,641 shares of Shandong Lcang International Logistics Inc. Corp. Ltd (山東樂艙網國際物流股份有限公司) to Shandong Lcang Enterprise Management Service Co., Ltd. at a consideration of RMB159,451.96;

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- (i) a share transfer agreement (股份轉讓協議) dated June 20, 2022 entered into between Ms. Yang Jie (楊潔) as transferor and Shandong Lcang Enterprise Management Service Co., Ltd. (山東樂艙企業管理服務有限公司) as transferee, pursuant to which Ms. Yang agreed to transfer 319,000 shares of Shandong Lcang International Logistics Inc. Corp. Ltd (山東樂艙網國際物流股份有限公司) to Shandong Lcang Enterprise Management Service Co., Ltd. at a consideration of RMB486,092.2;
- (j) a share transfer agreement (股份轉讓協議) dated June 20, 2022 entered into between Ms. Wang Wang (汪汪) as transferor and Shandong Lcang Enterprise Management Service Co., Ltd. (山東樂艙企業管理服務有限公司) as transferee, pursuant to which Ms. Wang agreed to transfer 937,500 shares of Shandong Lcang International Logistics Inc. Corp. Ltd (山東樂艙網國際物流股份有限公司) to Shandong Lcang Enterprise Management Service Co., Ltd. at a consideration of RMB1,428,562.5;
- (k) a share transfer agreement (股份轉讓協議) dated June 20, 2022 entered into between Ms. Fan Fenglan (范風蘭) as transferor and Shandong Lcang Enterprise Management Service Co., Ltd. (山東樂艙企業管理服務有限公司) as transferee, pursuant to which Ms. Fan agreed to transfer 1,054,000 shares of Shandong Lcang International Logistics Inc. Corp. Ltd (山東樂艙網國際物流股份有限公司) to Shandong Lcang Enterprise Management Service Co., Ltd. at a consideration of RMB1,606,085.2;
- (l) a share transfer agreement (股份轉讓協議) dated June 20, 2022 entered into between Mr. Zheng Dan (鄭丹) as transferor and Shandong Lcang Enterprise Management Service Co., Ltd. (山東樂艙企業管理服務有限公司) as transferee, pursuant to which Mr. Zheng agreed to transfer 1,220,000 shares of Shandong Lcang International Logistics Inc. Corp. Ltd (山東樂艙網國際物流股份有限公司) to Shandong Lcang Enterprise Management Service Co., Ltd. at a consideration of RMB1,859,036;
- (m) a share transfer agreement (股份轉讓協議) dated June 20, 2022 entered into between Mr. Chen Xin (陳鑫) as transferor and Shandong Lcang Enterprise Management Service Co., Ltd. (山東樂艙企業管理服務有限公司) as transferee, pursuant to which Mr. Chen agreed to transfer 900,000 shares of Shandong Lcang International Logistics Inc. Corp. Ltd (山東樂艙網國際物流股份有限公司) to Shandong Lcang Enterprise Management Service Co., Ltd. at a consideration of RMB1,371,420;
- (n) a share transfer agreement (股份轉讓協議) dated June 20, 2022 entered into between Mr. Huang Jicheng (黃繼承) as transferor and Shandong Lcang Enterprise Management Service Co., Ltd. (山東樂艙企業管理服務有限公司) as transferee, pursuant to which Mr. Huang agreed to transfer 2,000,000 shares of Shandong Lcang International Logistics Inc. Corp. Ltd (山東樂艙網國際物流股份有限公司) to Shandong Lcang Enterprise Management Service Co., Ltd. at a consideration of RMB3,047,600;



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- (o) a share transfer agreement with a deferred closing date (附時間期限的股份轉讓協議) dated August 5, 2022 entered into between Mr. Xu Xin (許昕) as transferor and Shandong Lcang Enterprise Management Service Co., Ltd. (山東樂艙企業管理服務有限公司) as transferee, pursuant to which Mr. Xu Xin agreed to transfer 6,373,171 shares in Shandong Lcang International Logistics Inc. Corp. Ltd (山東樂艙網國際物流股份有限公司) to Shandong Lcang Enterprise Management Service Co., Ltd. at a consideration of RMB9,711,437.97;
- (p) a voting rights entrustment agreement (表決權委託協議) dated August 5, 2022 entered into between Mr. Xu Xin (許昕) and Shandong Lcang Enterprise Management Service Co., Ltd. (山東樂艙企業管理服務有限公司), pursuant to which Mr. Xu Xin agreed to irrevocably entrust Shandong Lcang Enterprise Management Service Co., Ltd. to exercise voting rights as a shareholder of 6,373,171 shares of Shandong Lcang International Logistics Inc. Corp. Ltd (山東樂艙網國際物流股份有限公司) exclusively, discretionarily and at nil consideration;
- (q) an income rights transfer agreement (收益權歸屬協議) dated August 5, 2022 entered into between Mr. Xu Xin (許昕) and Shandong Lcang Enterprise Management Service Co., Ltd. (山東樂艙企業管理服務有限公司), pursuant to which Mr. Xu Xin agreed to irrevocably transfer the corresponding rights to dividends, income rights and other economic and property interests of 6,373,171 shares of Shandong Lcang International Logistics Inc. Corp. Ltd (山東樂艙網國際物流股份有限公司) to Shandong Lcang Enterprise Management Service Co., Ltd;
- (r) a share transfer agreement (股份轉讓協議) dated August 5, 2022 entered into between Qingdao Jiliang Enterprise Management Consulting Co., Ltd. (青島集諒企業管理諮詢有限公司) as transferor and Shandong Lcang Enterprise Management Service Co., Ltd. (山東樂艙企業管理服務有限公司) as transferee, pursuant to which Qingdao Jiliang Enterprise Management Consulting Co., Ltd. agreed to transfer 12,820,300 shares of Shandong Lcang International Logistics Inc. Corp. Ltd (山東樂艙網國際物流股份有限公司) to Shandong Lcang Enterprise Management Service Co., Ltd. at a consideration of RMB19,535,573.10;
- (s) a share transfer agreement (股份轉讓協議) dated August 5, 2022 entered into between Qingdao Bo'an Enterprise Management Consulting Partnership (Limited Partnership) (青島博安企業管理諮詢合夥企業(有限合夥)) as transferor and Shandong Lcang Enterprise Management Service Co., Ltd. (山東樂艙企業管理服務有限公司) as transferee, pursuant to which Qingdao Bo'an Enterprise Management Consulting Partnership (Limited Partnership) agreed to transfer 5,145,000 shares of Shandong Lcang International Logistics Inc. Corp. Ltd (山東樂艙網國際物流股份有限公司) to Shandong Lcang Enterprise Management Service Co., Ltd. at a consideration of RMB7,839,951;

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- (t) a share transfer agreement (股份轉讓協議) dated August 5, 2022 entered into between Ms. Liu Quanxiang (劉泉香) as transferor and Shandong Lcang Enterprise Management Service Co., Ltd. (山東樂艙企業管理服務有限公司) as transferee, pursuant to which Ms. Liu agreed to transfer 2,087,078 shares of Shandong Lcang International Logistics Inc. Corp. Ltd (山東樂艙網國際物流股份有限公司) to Shandong Lcang Enterprise Management Service Co., Ltd. at a consideration of RMB3,180,289.46;
- (u) a share transfer agreement (股份轉讓協議) dated August 5, 2022 entered into between Ms. Lv Guizhen (呂桂珍) as transferor and Shandong Lcang Enterprise Management Service Co., Ltd. (山東樂艙企業管理服務有限公司) as transferee, pursuant to which Ms. Lv agreed to transfer 1,933,700 shares of Shandong Lcang International Logistics Inc. Corp. Ltd (山東樂艙網國際物流股份有限公司) to Shandong Lcang Enterprise Management Service Co., Ltd. at a consideration of RMB2,946,572.06;
- (v) a share transfer agreement (股份轉讓協議) dated August 5, 2022 entered into between Ms. Xu Xiaoling (許曉玲) as transferor and Shandong Lcang Enterprise Management Service Co., Ltd. (山東樂艙企業管理服務有限公司) as transferee, pursuant to which Ms. Xu agreed to transfer 1,283,025 shares of Shandong Lcang International Logistics Inc. Corp. Ltd (山東樂艙網國際物流股份有限公司) to Shandong Lcang Enterprise Management Service Co., Ltd. at a consideration of RMB1,955,073.5;
- (w) a capital increase agreement (增資協議) dated August 22, 2022 entered into between Qingdao Lcang Technology Co., Ltd. (青島樂艙科技有限公司) and Shandong Lcang Enterprise Management Service Co., Ltd. (山東樂艙企業管理服務有限公司), pursuant to which Qingdao Lcang Technology Co., Ltd. agreed to inject RMB50,000,000, of which RMB940,000 contributed as the registered capital of Shandong Lcang Enterprise Management Service Co., Ltd. and RMB49,060,000 contributed as the capital reserve of Shandong Lcang Enterprise Management Service Co., Ltd.;
- (x) a capital increase agreement (增資協議) dated September 26, 2022 entered into among Qingdao Lcang Technology Co., Ltd. (青島樂艙科技有限公司), PCW (Hong Kong) International Limited and Shandong Lcang Enterprise Management Service Co., Ltd. (山東樂艙企業管理服務有限公司), pursuant to which PCW (Hong Kong) International Limited agreed to inject RMB8,132,808 to acquire 1% of the equity interest in Shandong Lcang Enterprise Management Service Co., Ltd.;
- (y) a share swap agreement dated October 7, 2022 entered into between PCW Limited and LC Logistics, Inc. (樂艙物流股份有限公司), pursuant to which PCW Limited agreed to transfer 100% issued share capital of PCW Investment Limited to LC Logistics, Inc. in exchange of 426,004 shares of LC Logistics, Inc. as consideration;

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- (z) a capital increase agreement (增資協議) dated October 9, 2022 entered into among Qingdao Lcang Technology Co., Ltd. (青島樂艙科技有限公司), PCW (Hong Kong) International Limited, Lcang (Qingdao) Logistics Supply Chain Co., Ltd. (樂艙(青島)物流供應鏈有限公司) and Shandong Lcang Enterprise Management Service Co., Ltd. (山東樂艙企業管理服務有限公司), pursuant to which Lcang (Qingdao) Logistics Supply Chain Co., Ltd. agreed to inject RMB80,000,000 to acquire 93.02% of the equity interest in Shandong Lcang Enterprise Management Service Co., Ltd.;
- (aa) an equity transfer agreement (股權轉讓協議) dated October 10, 2022 entered into between Qingdao Lcang Technology Co., Ltd. (青島樂艙科技有限公司) as transferor and Lcang (Qingdao) Logistics Supply Chain Co., Ltd. (樂艙(青島)物流供應鏈有限公司) as transferee, pursuant to which Qingdao Lcang Technology Co., Ltd. agreed to transfer 6.91% equity interest in Shandong Lcang Enterprise Management Service Co., Ltd. (山東樂艙企業管理服務有限公司) to Lcang (Qingdao) Logistics Supply Chain Co., Ltd. at a consideration of RMB62,287,680.30;
- (bb) the Deed of Indemnity; and
- (cc) the [REDACTED].

**2. Intellectual property rights of our Group**

**(a) Trademarks**

As of the Latest Practicable Date, our Group had registered the following trademarks which, in the opinion of our Directors, are material to our business:

No.	Trademark	Registration number	Class	Registered proprietor	Place of registration	Date of registration	Date of Expiry
1		23236812	39	Shandong Lcang	PRC	March 14, 2018	March 13, 2028
2		20139796	39	Shanghai Hanyun	PRC	July 21, 2017	July 20, 2027
3		20139795	36	Shanghai Hanyun	PRC	July 21, 2017	July 20, 2027
4		20139794	35	Shanghai Hanyun	PRC	July 21, 2017	July 20, 2027
5		20139793	42	Shanghai Hanyun	PRC	July 21, 2017	July 20, 2027

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No.	Trademark	Registration number	Class	Registered proprietor	Place of registration	Date of registration	Date of Expiry
6		20139762	35	Shanghai Hanyun	PRC	July 21, 2017	July 20, 2027
7	乐舱	17364145	42	Shanghai Hanyun	PRC	August 14, 2016	August 13, 2026
8	乐舱	17363988	39	Shanghai Hanyun	PRC	September 7, 2016	September 6, 2026
9	乐舱	17363704	36	Shanghai Hanyun	PRC	September 7, 2016	September 6, 2026
10	乐舱	17363569	35	Shanghai Hanyun	PRC	August 14, 2016	August 13, 2026
11		306082821	35&39	Company	Hong Kong	October 14, 2022	October 13, 2032
12	  	306082830	35&39	Company	Hong Kong	October 14, 2022	October 13, 2032

**(b) Patents**

As of the Latest Practicable Date, our Group had registered the following patent which, in the opinion of our Directors, is material to our business:

No.	Patent	Type	Patent number	Registered proprietor	Place of registration	Date of registration	Validity period
1	A fast locking and unlocking device for marine containers (一種船用集裝箱快速鎖定與解鎖裝置)	Utility Model Patent (實用新型)	ZL201920207926.6	Qingdao Boya	PRC	November 29, 2019	February 19, 2019 to February 18, 2029

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**(c) Copyrights**

As of the Latest Practicable Date, our Group had registered the following copyrights which, in the opinion of our Directors, are material to our business:

No.	Copyright	Type	Registration number	Registered proprietor	Place of registration	Date of registration
1	Shipping Logistics Freightage Management System V1.0 (海運物流運價管理系統V1.0)	Computer software copyright	2018SR564269	Shandong Lcang	PRC	July 18, 2018
2	Vessel Company Shipping Management System V1.0 (船公司船務管理系統V1.0)	Computer software copyright	2018SR559201	Shandong Lcang	PRC	July 17, 2018
3	Foreign Trade Company Business Management System V1.0 (外貿公司業務管理系統V1.0)	Computer software copyright	2018SR559288	Shandong Lcang	PRC	July 17, 2018
4	Vessel Company Container Management System V1.0 (船公司箱務管理系統V1.0)	Computer software copyright	2018SR558865	Shandong Lcang	PRC	July 17, 2018
5	WeChat-based Shipping Logistics Sales Service System V1.0 (基於微信小程序海運物流銷售服務系統V1.0)	Computer software copyright	2019SR1106534	Shanghai Hanyun	PRC	October 31, 2019
6	WeChat-based Direct Sales Service System For Shipping Logistics V1.0 (基於微信小程序海運物流直客服務系統V1.0)	Computer software copyright	2019SR1106809	Shanghai Hanyun	PRC	October 31, 2019
7	Hanyun Lcang Freight Forwarder Operation SAAS Management Software abbreviated as: Lcang.com Freight Forwarder Operation System V1.0 (涵運樂艙貨代操作SAAS管理軟件[簡稱:樂艙網貨代操作系統]V1.0)	Computer software copyright	2016SR084345	Shanghai Hanyun	PRC	April 22, 2016
8	Intelligent Logistics Online Order Taking and Operation System V1.0 (智慧物流線上接單運營系統V1.0)	Computer software copyright	2020SR1664676	Shanghai Hanyun	PRC	November 27, 2020

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No.	Copyright	Type	Registration number	Registered proprietor	Place of registration	Date of registration
9	Lcang.com Vessel Company Online Booking System V1.0 (樂艙網船公司在線訂艙系統 V1.0)	Computer software copyright	2021SR1977217	Shanghai Hanyun	PRC	December 2, 2021
10	Lcang.com AI-based Automatic Billing System V1.0 (樂艙網基於AI技術自動錄單系統 V1.0)	Computer software copyright	2021SR1994678	Shanghai Hanyun	PRC	December 3, 2021
11	Lcang.com Vessel Company ACI, AMS, ENS Cargo Manifest Reporting System V1.0 (樂艙網船公司ACI、AMS、ENS艙單申報系統 V1.0)	Computer software copyright	2021SR1979800	Shanghai Hanyun	PRC	December 2, 2021
12	Lcang.com Vessel Company Container Tracking System V1.0 (樂艙網船公司集裝箱跟蹤系統V1.0)	Computer software copyright	2021SR1987365	Shanghai Hanyun	PRC	December 3, 2021
13	Lcang.com Vessel Company Booking, Cargo Manifest, SI Data Interface System V1.0 (樂艙網船公司訂艙、艙單、SI數據接口系統V1.0)	Computer software copyright	2021SR1987364	Shanghai Hanyun	PRC	December 3, 2021

**(d) Domain names**

As of the Latest Practicable Date, our Group had registered the following domain names which, in the opinion of our Directors, are material to our business:

No.	Domain Name	Registered Proprietor	Date of Registration	Date of Expiry
1	burnasia.cn	Shandong Lcang	October 26, 2005	October 26, 2024
2	bal.cn	Shandong Lcang	July 10, 2006	July 10, 2030
3	lcang.com	Shanghai Hanyun	February 18, 2014	February 19, 2024
4	lclog.cn	Shanghai Hanyun	October 20, 2022	October 20, 2025
5	lclog.net	Shanghai Hanyun	October 20, 2022	October 20, 2025
6	sijin.com	Shanghai Sijin	November 26, 1999	November 26, 2025
7	lcang56.cn	Zhangjiagang Lechang	December 19, 2018	December 19, 2024

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**C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

**1. Directors**

*(a) Disclosure of Interests – Interests and short positions of the Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations*

Immediately following completion of the [REDACTED] and assuming that the [REDACTED] is not exercised, the interests or short positions of our Directors or chief executive of our Company in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange, once our Shares are [REDACTED], will be as follows:

*(i) Interest in our Company*

<u>Name of Director</u>	<u>Nature of interest</u>	<u>Number of Shares interested<sup>(1)</sup></u>	<u>Approximate percentage of interest</u>
Mr. Xu <sup>(2)(3)(4)(5)(7)(8)</sup>	Interest in controlled corporations	[REDACTED] Shares (L)	[REDACTED]%
	Interest of spouse	[REDACTED] Shares (L)	[REDACTED]%
Ms. Li <sup>(2)(3)(4)(5)(6)(7)</sup>	Interest in a controlled corporation	[REDACTED] Shares (L)	[REDACTED]%
	Interest of spouse	[REDACTED] Shares (L)	[REDACTED]%

*Notes:*

- (1) The letter “L” denotes the person’s long position in our Shares.
- (2) Ms. Li is the spouse of Mr. Xu. By virtue of the SFO, Mr. Xu and Ms. Li are deemed to be interested in the Shares held by each other is interested.
- (3) Pursuant to the Acting in Concert Deed, each of Mr. Xu. Ms. Li and Ms. Liu had agreed and confirmed, among other things, that from the date they became the registered owners and/or beneficial owners of the equity interests in our Group to the date when any of them ceases to be our Controlling Shareholder: (a) they had been and would continue to be parties acting in concert and they had agreed to consult with each other and reach a unanimous consensus among



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themselves before the decision, implementation and agreement on all material management affairs, votings and/or commercial decisions, including but not limited to financial and operational matters, of any member of our Group; (b) they had casted and would continue to cast their votes as directors and/or shareholders (as the case may be) unanimously for or against all resolutions in all board and shareholders’ meetings and discussions of any member of our Group; and (c) they had cooperated and would continue to cooperate with one another to acquire, maintain and consolidate the control and management of our Group. See “Relationship with Our Controlling Shareholders—Acting in Concert Deed.” By virtue of the SFO, each of our ultimate Controlling Shareholders together with investment holding companies held or controlled by them (being Lecang Boundless, Lecang Fantasy, Grand Sailing, Lecang Altitude, Peace Seaworld, Lecang Shining, Spring Wealth, Lecang Flourishing and Glorious Sailing) are all deemed to be interested in the total Shares directly held by Lecang Fantasy, Lecang Altitude, Lecang Shining, Lecang Flourishing and Glorious Sailing.

- (4) Lecang Fantasy is wholly owned by Lecang Boundless, which is in turn wholly owned by Mr. Xu. By virtue of the SFO, each of Mr. Xu and Lecang Boundless is deemed to be interested in the Shares held by Lecang Fantasy.
- (5) Lecang Altitude is wholly owned by Grand Sailing, which is in turn wholly owned by Mr. Xu. Accordingly, Mr. Xu is deemed under the SFO to be interested in the Shares directly held by Lecang Altitude.
- (6) Lecang Shining is wholly owned by Peace Seaworld, which is in turn wholly owned by Ms. Li. Accordingly, Ms. Li is deemed under the SFO to be interested in the Shares directly held by Lecang Shining.
- (7) Lecang Flourishing is wholly owned by Spring Wealth, which is in turn wholly owned by Ms. Liu. Accordingly, each of Ms. Liu and Spring Wealth is deemed under the SFO to be interested in the Shares directly held by Lecang Flourishing.
- (8) Glorious Sailing is owned as to approximately 79.53% by Mr. Xu (our Controlling Shareholder and executive Director), 4.96% by Ms. Zhu Jiali (朱佳麗) (our executive Director), 3.97% by Mr. Zhang Feng (張峰) (our senior management member), 0.50% by Ms. Ding Sujun (丁素君) (our joint company secretary) and 11.04% by other 10 existing employees, each of whom is an Independent Third Party. By virtue of the SFO, Mr. Xu is deemed to be interested in the Shares held by Glorious Sailing.

### *(b) Particulars of service agreements and letters of appointment*

Each of our executive Directors [has entered] into a service agreement with our Company for a term of three years commencing from the [REDACTED], which may be terminated by not less than three months’ notice in writing served by either party on the other.

Each of our independent non-executive Directors [has entered] into a letter of appointment with our Company for a term of three years commencing from the [REDACTED], which may be terminated by not less than three months’ notice in writing served by either party on the other.



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### *(c) Directors’ remuneration*

During the three years ended December 31, 2022, the aggregate remuneration (including fees, salaries, allowances and benefits in kind, performance-related bonuses and pension scheme contributions and social welfare) paid or payable to our Directors was approximately RMB1,007,000, RMB2,496,000 and RMB3,705,000, respectively. For details, see Note 8 to the Accountants’ Report in Appendix I to this document.

Under the arrangement currently in force, the aggregate remuneration (including salaries, allowances and benefits in kind, performance-related bonuses and pension scheme contributions and social welfare) of our Directors for the year ending December 31, 2023 is estimated to be no more than RMB2.88 million.

## 2. Substantial Shareholders

### *(a) Interest of the substantial Shareholders in the Shares*

Save as disclosed in “Substantial Shareholders” in this document, so far as our Directors are aware, immediately following the completion of the [REDACTED] assuming that the [REDACTED] is not exercised, no person (other than our Directors and chief executives of our Company) will have or be deemed or taken to have an interest and/or short position in our Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the issued voting shares of any member of our Group.

### *(b) Interest in other members of our Group*

As of the Latest Practicable Date, so far as our Directors are aware, the following persons (other than our Directors or chief executive officer of our Company) were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of other members of our Group:

<u>Name of member of our Group</u>	<u>Name of Shareholder</u>	<u>Percentage of equity interest</u>
Shanghai Sijin	Mr. Fu Dazheng (傅達正)	13.75%
Shanghai Sijin	Mr. Hong Yan (洪研)	11.25%
Qingdao Wanhao	Qingdao Hongyi Enterprise Management Partnership (Limited Partnership) (青島弘毅企業管理合夥企業(有限合夥))	49.00%
LC Western	WESTERN POST (US) INC.	20.00%

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### 3. Agency fees or commissions received

Save as disclosed in "[REDACTED]", no commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this document.

### 4. Disclaimers

Save as disclosed in this document:

- (a) none of our Directors or chief executive of our Company has any interest or short position in our shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once our Shares are [REDACTED];
- (b) none of our Directors or experts referred to under "—E. Other information—8. Qualifications and consents of experts" below has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;
- (d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) taking no account of Shares which may be taken up under the [REDACTED], none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the [REDACTED] and the [REDACTED] and assuming that the [REDACTED], have an interest or short position in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the issued voting shares of any member of our Group; and

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- (f) so far as is known to our Directors as of the Latest Practicable Date, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders of our Company who are interested in more than 5% of the total number of issued Shares has any interests in the five largest customers or the five largest suppliers of our Group.

### D. [REDACTED] SHARE SCHEME

The following is a summary of the principal terms of the [REDACTED] Share Scheme conditionally adopted by our Company pursuant to the written resolutions of our then Shareholders passed on [●], 2023.

#### (a) Purpose of the [REDACTED] Share Scheme

The [REDACTED] Share Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognize and acknowledge the contributions that the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The [REDACTED] Share Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of our Group; and
- (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

#### (b) Eligible participants of the [REDACTED] Share Scheme

Our Board may, at its discretion, offer to grant an option to any director and employee of our Company or any of our subsidiaries (including persons who are granted options under the [REDACTED] Share Scheme as an inducement to enter into employment contracts with our Company and/or any of our subsidiaries) (collectively the “**Eligible Participants**”) to subscribe for such number of new Shares as our Board may determine at an exercise price determined in accordance with paragraph (f) below.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company by way of consideration for the grant.

#### (c) Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favor of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant

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acceptance date. Such remittance or payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance or payment for the full amount of the exercise price for our Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial advisor as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of our Shares so allotted.

The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorized share capital of our Company.

The vesting period of any options shall not be less than 12 months. Options may be subject to a shorter vesting period under any of the following circumstances:

- (a) where the options are granted in assumption of, or in substitution or exchange for, an award previously granted, or the right or obligation to make a future award, in all cases by a company acquired by our Company or any of our subsidiary or with which our Company or any of our subsidiary combines;
- (b) where the Shares to be issued upon the exercise of such options are subject to a minimum holding period of not less than 12 months and are delivered to an Eligible Participant under his/her compensation arrangements with our Company, including Shares delivered to a non-employee director in respect of such non-employee director's annual retainer;
- (c) where the options are sign-on or make-whole grants to new Eligible Participants;
- (d) where the options are subject to performance-based vesting conditions;
- (e) where the options are granted in batches for administrative or compliance reasons;
- (f) where the options shall vest evenly over a period of 12 months or more;

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- (g) where the options are subject to a total vesting and holding period of more than 12 months; or
- (h) in cases of retirement, separation, retention arrangements, death, disability or a change in control of our Company, our Board may accelerate the vesting of the options at its sole discretion.

### (d) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the [REDACTED] Share Scheme and under any other share schemes of our Company must not in aggregate exceed 10% ("**Scheme Limit**") of the total number of Shares in issue immediately following completion of the [REDACTED], being [REDACTED] Shares (assuming that the [REDACTED] is not exercised). As of the date of grant of any options under the [REDACTED] Share Scheme, the maximum number of Shares in respect of which options may be granted is such number of Shares less the aggregate of the following:

- (i) the number of Shares which would be issued on the exercise in full of the options under the [REDACTED] Share Scheme or under any other share schemes of our Company but not canceled or exercised;
- (ii) the number of Shares which have been issued and allotted pursuant to the exercise of any options under the [REDACTED] Share Scheme or under any other share schemes of our Company or any awards granted under any other share schemes of our Company; and
- (iii) the number of those Shares which were the subject of options which had been granted and accepted under the [REDACTED] Share Scheme and any other share schemes of our Company but subsequently canceled.

Subject to the approval of our Shareholders in general meeting in compliance with Rules 17.03C(1) and 17.03C(2) of the Listing Rules and/or such other requirements prescribed under the Listing Rules from time to time, our Board may refresh the Scheme Limit from time to time to 10% of the number of Shares in issue ("**New Scheme Limit**") as of the date of the approval by our Shareholders in general meeting ("**New Approval Date**"). Any refreshment within any three year period from the date of our Shareholders' approval for the last refreshment (or the adoption of the [REDACTED] Share Scheme) must be approved by our Shareholders subject to the following provisions:

- (i) any controlling shareholders and their associates (or if there is no controlling shareholder, directors (excluding independent non-executive directors) and the chief executive of our Company and their respective associates) abstaining from voting in favor of the relevant resolution at the general meeting of our Company; and

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- (ii) our Company must comply with the requirements under Rules 13.39(6) and (7), 13.40, 13.41 and 13.42 of the Listing Rules,

and thereafter, as of the date of grant of any options under the [REDACTED] Share Scheme, the maximum number of Shares in respect of which options may be granted is the New Scheme Limit less the aggregate of the following:

- (i) the number of Shares which would be issued on the exercise in full of the options under the [REDACTED] Share Scheme or under any other share schemes of our Company granted on or after the New Approval Date but not canceled or exercised;
- (ii) the number of Shares which have been issued and allotted pursuant to the exercise of any options under the [REDACTED] Share Scheme or under any other share schemes of our Company or any awards granted under any other share schemes of our Company granted on or after the New Approval Date; and
- (iii) the number of those Shares which were the subject of options which had been granted on or after the New Approval Date and accepted under the [REDACTED] Share Scheme and any other share schemes of our Company but subsequently canceled.

Subject to the approval of our Shareholders in general meeting in compliance with Rule 17.03C(3) of the Listing Rules and/or such other requirements as prescribed under the Listing Rules from time to time, our Board may grant options exceeding the Scheme Limit to Eligible Participants specifically identified by our Board.

The Scheme Limit shall be adjusted, in such manner as the auditors of our Company or an approved independent financial advisor shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of capitalization issue, rights issue, sub-division or consolidation of shares or reduction of the share capital of our Company.

### **(e) Maximum number of options to any one individual**

Our Board shall, subject to and in accordance with the provisions of the [REDACTED] Share Scheme and the Listing Rules, be entitled to but shall not be bound, at any time on any business day during the Scheme Period (as defined in paragraph (j) below) offer to grant an option to any Eligible Participant whom our Board may in its absolute discretion select and subject to such conditions (including, without limitation, the vesting period and/or any performance targets as assessed in accordance with the Performance Measures (as defined in paragraph (k) below) during a specified performance period which must be achieved before an option can be exercised) as it may think fit.

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If our Board determines to offer options under the [REDACTED] Share Scheme to an Eligible Participant which, when aggregated with any Shares issued or to be issued in respect of all options or awards granted to that person (excluding any options or awards lapsed in accordance with the terms of the relevant schemes) under the [REDACTED] Share Scheme and the other share schemes of our Company in any 12-month period up to and including the date of such offer, exceed 1% of the number of Shares in issue on the Offer Date:

- (i) the grant shall be subject to (a) the issue of a circular by our Company to our Shareholders which shall comply with Rules 17.03D and 17.06 of the Listing Rules and/or such other requirements as prescribed under the Listing Rules from time to time; and (b) the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his/her close associates (or his/her associates if the Eligible Participant is a connected person) abstaining from voting; and
- (ii) unless provided otherwise in the Listing Rules, the date of the Board meeting at which our Board resolves to grant the proposed options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of our Shares.

Our Board shall forward to such Eligible Participant an offer document in such form as our Board may from time to time determine (or, alternatively, documents accompanying the offer document which state), among others:

- (aa) the Eligible Participant's name, address and occupation;
- (bb) the date on which an option is offered to an Eligible Participant which must be a business day;
- (cc) the date upon which an offer for an option must be accepted;
- (dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);
- (ee) the number of Shares in respect of which the option is offered;
- (ff) the subscription price and the manner of payment of such price for our Shares on and in consequence of the exercise of the option;
- (gg) the date of the notice given by the grantee in respect of the exercise of the option;
- (hh) the method of acceptance of the option which shall, unless our Board otherwise determines, be as set out in paragraph (c); and



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- (ii) such other terms and conditions (including, without limitation, the vesting period and/or any performance targets as assessed in accordance with the Performance Measures (as defined in paragraph (k) below) during a specified performance period which must be achieved before the option can be exercised) relating to the offer of the option which in the opinion of our Board are fair and reasonable but not being inconsistent with the [REDACTED] Share Scheme and the Listing Rules.

### **(f) Price of Shares**

Subject to any adjustments made as described in paragraph (r) below, the subscription price of a Share in respect of any particular option granted under the [REDACTED] Share Scheme shall be such price as our Board in its absolute discretion shall determine, save that such price must be at least the higher of:

- (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and
- (ii) the average closing price of our Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

### **(g) Granting options to a director, chief executive or substantial shareholder of our Company or any of their respective associates**

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

If our Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued in respect of all options and awards granted to such person under the [REDACTED] Share Scheme or the other share schemes of our Company (excluding any options and awards lapsed in accordance with the terms of such schemes) in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of our Shares in issue on the date of such grant, such further grant of options will be subject to, in addition to the abovementioned approval of the independent non-executive Directors, the approval of our Shareholders in general meeting in accordance with Rule 17.04(4) of the Listing Rules and/or such other requirements prescribed under the Listing Rules from time to time. Our Company must also send a circular to our Shareholders, which shall contain the following information:

- (i) the details of the number and terms (including the information required under Rules 17.03(5) to 17.03(10) and Rule 17.03(19) of the Listing Rules) of the options to be granted to each selected Eligible Participant, which must be fixed before our Shareholders' meeting, and the date of grant (which shall be the date of the Board meeting at which our Board proposes to grant the proposed options to that Eligible Participant);



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- (ii) the views of the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) as to whether the terms of the grant are fair and reasonable and whether such grant is in the interests of our Company and our Shareholders as a whole, and their recommendation to the independent Shareholders as to voting;
- (iii) the information required under Rule 17.02(2)(c) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

**(h) Restrictions on the time of grant of options**

A grant of options shall not be made after inside information has come to the knowledge of our Company until it has been published pursuant to the requirements of the Listing Rules and Part XIVA of the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our annual results or our results for half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of our annual results or our results for half-year, or quarterly or other interim period (whether or not required under the Listing Rules),

and ending on the date of actual publication of the results for such year, half-year, quarterly or interim period (as the case may be) and where an option is granted to a Director, no options shall be granted:

- (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (ii) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

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### (i) Rights are personal to grantee

Save for a transfer to a vehicle (such as a trust or a private company) for the benefit of the grantee and any family members of such grantee (including for estate planning or tax planning purposes) that would continue to meet the purpose of the [REDACTED] Share Scheme and comply with other requirements of the Listing Rules, in which case a waiver must be obtained from the Stock Exchange, an option and offer to grant an option is personal to the grantee and shall not be transferrable or assignable. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option held by him/her or any offer relating to the grant of an option made to him/her or attempt so to do (save that the grantee may nominate a nominee in whose name our Shares issued pursuant to the [REDACTED] Share Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

### (j) Time of exercise of option and duration of the [REDACTED] Share Scheme

An option may be exercised in accordance with the terms of the [REDACTED] Share Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by our Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the [REDACTED]. Subject to earlier termination by our Company in general meeting or by our Board, the [REDACTED] Share Scheme shall be valid and effective for a period of 10 years from the [REDACTED] (“Scheme Period”).

### (k) Performance target

A grantee may be required to achieve any performance targets as our Board may then specify in the grant before any options granted under the [REDACTED] Share Scheme can be exercised. The performance targets shall be assessed in accordance with any one or more of the following corporate-wide or subsidiary, division, operating unit, line of business, project, geographical or individual performance measures (“Performance Measures”) during a specified performance period: cash flow; earnings; earnings per share; market value added or economic value added; profits; return on assets; return on equity; return on investment; sales; revenue; Share price; total shareholder return; customer satisfaction metrics; and such other goals as our Board may determine from time to time. Each goal may be expressed on an absolute and/or relative basis, may be based on or otherwise employ comparisons based on internal targets, the past performance of our Company and/or the past or current performance of other companies, and in the case of earnings-based measures, may use or employ comparisons relating to capital, shareholders’ equity and/or shares outstanding, investments or to assets or net assets. Our Board may, in its sole discretion, amend or adjust the Performance Measures and establish any special rules and conditions to which the Performance Measures shall be subject at any time.

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### **(l) Rights on ceasing employment or death**

If the grantee of an option ceases to be an employee of our Company or any of our subsidiaries:

- (i) by any reason other than death, ill-health, injury, disability or termination of his/her employment on the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as of the date of cessation (to the extent not already exercised) within a period of one month from such cessation; or
- (ii) by reason of death, ill-health, injury or disability, his/her personal representative(s) may exercise the option within a period of 12 months from such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

### **(m) Rights on dismissal**

If the grantee of an option ceases to be an employee of our Company or any of our subsidiaries on the grounds that he/she has been guilty of serious misconduct, or in relation to an employee of our Group (if so determined by our Board) on any other ground on which an employee would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, or has been convicted of any criminal offense involving his/her integrity or honesty, his/her option will lapse and not be exercisable after the date of termination of his/her employment.

### **(n) Rights on takeover**

If a general offer is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

### **(o) Rights on winding-up**

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his/her legal personal representative(s)) shall be entitled to exercise all or any of his/her options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance or payment for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

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**(p) Rights on compromise or arrangement between our Company and our members or creditors**

If a compromise or arrangement between our Company and our members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee may by notice in writing to our Company accompanied by a remittance or payment for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given (such notice to be received by our Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable as if such compromise or arrangement had not been proposed by our Company.

**(q) Ranking of Shares**

Our Shares to be allotted upon the exercise of an option will not carry voting, dividend or other rights until completion of the registration of the grantee (or any other person nominated by the grantee) as the holder thereof. Subject to the aforesaid, Shares to be allotted and issued upon the exercise of options, subject to the provisions of the articles of association of our Company, will carry the same right in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of issue and rights in respect of any dividend or other distributions paid or made on or after the date of issue. For the avoidance of doubt, Shares issued upon the exercise of an option shall not be entitled to any rights attaching to Shares by reference to a record date preceding the date of allotment.

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**(r) Effect of alterations to capital**

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalization issue, rights issue, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding options and/or the subscription price per Share of each outstanding option as the auditors of our Company or an approved independent financial advisor shall at the request of our Company or any grantee, certify in writing either generally or as regards any particular grantee to be in their opinion fair and reasonable, provided that any such alterations shall be made on the basis that a grantee shall have the same proportion of the equity capital of our Company (as interpreted in accordance with the supplementary guidance issued by the Stock Exchange on November 6, 2020 and any further guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time and/or such other requirement prescribed under the Listing Rules from time to time), rounded to the nearest whole Share, as that to which he/she was entitled to subscribe had he/she exercised all the options held by him/her immediately before such adjustments and the aggregate exercise price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event and that no such alterations shall be made if the effect of such alterations would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations. The capacity of the auditors of our Company or the approved independent financial advisor, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in absence of manifest error, be final and conclusive and binding on our Company and the grantees.

**(s) Expiry of option**

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by our Board;
- (ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n), (o) or (p);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;
- (iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment with our Company or any of our subsidiaries or the termination of his/her employment or contract on any one or more of the grounds that he/she has been guilty of serious misconduct, or has been

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convicted of any criminal offense involving his/her integrity or honesty, or in relation to an employee of our Group (if so determined by our Board), or has been insolvent, bankrupt or has made compositions with his creditors generally or any other ground on which an employee would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of our Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or

- (vi) the date on which our Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are canceled in accordance with paragraph (u) below.

Save as provided above in this paragraph (s), no options or shares issued upon the exercise of any options under the [REDACTED] Share Scheme are subject to any clawback mechanism.

### **(t) Alteration of the [REDACTED] Share Scheme**

The [REDACTED] Share Scheme may be altered in any respect by resolution of our Board except that:

- (i) any change to the terms of options granted to a grantee must be approved by our Board, the Remuneration Committee, the independent non-executive Directors and/or our Shareholders (as the case may be) if the initial grant of the options was approved by our Board, the Remuneration Committee, the independent non-executive Directors and/or our Shareholders (as the case may be) (except any changes which take effect automatically under the terms of the [REDACTED] Share Scheme); and
- (ii) any alterations to the terms and conditions of the [REDACTED] Share Scheme which are of a material nature or any alterations to the provisions relating to the matters set out in Rule 17.03 of the Listing Rules to the advantage of the Eligible Participants or any change to the authority of the Directors or the administrators of the [REDACTED] Share Scheme to alter the terms of the [REDACTED] Share Scheme must be approved by our Shareholders in general meeting.

The amended terms of the [REDACTED] Share Scheme shall still comply with Chapter 17 of the Listing Rules.

### **(u) Cancellation of options**

Subject to paragraph (i) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any option is canceled pursuant to paragraph (m).

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**(v) Termination of the [REDACTED] Share Scheme**

Our Company may by resolution in general meeting or our Board at any time terminate the [REDACTED] Share Scheme and in such event no further option shall be offered but the provisions of the [REDACTED] Share Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the [REDACTED] Share Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the [REDACTED] Share Scheme.

**(w) Administration of our Board**

The [REDACTED] Share Scheme shall be subject to the administration of our Board whose decision as to all matters arising in relation to the [REDACTED] Share Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

**(x) Conditions of the [REDACTED] Share Scheme**

The [REDACTED] Share Scheme shall take effect subject to and is conditional on:

- (i) the passing of the necessary resolution by our Shareholders to approve and adopt the rules of the [REDACTED] Share Scheme;
- (ii) the Stock Exchange granting the approval for the [REDACTED] of and permission to [REDACTED] in our Shares which may fall to be issued pursuant to the exercise of options to be granted under the [REDACTED] Share Scheme;
- (iii) the obligations of the [REDACTED] under the [REDACTED] Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) by the [REDACTED] and not being terminated in accordance with the terms of the [REDACTED] Agreements or otherwise; and
- (iv) the commencement of [REDACTED] in our Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within twelve calendar months from the adoption date:

- (i) the [REDACTED] Share Scheme shall forthwith determine;
- (ii) any option granted or agreed to be granted pursuant to the [REDACTED] Share Scheme and any offer of such a grant shall be of no effect; and
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the [REDACTED] Share Scheme or any option granted thereunder.



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### (y) Disclosure in annual and interim reports

Our Company will disclose details of the [REDACTED] Share Scheme in our annual and interim reports including the number of options, date of grant, exercise price, exercise period, vesting period and other information as prescribed under the Listing Rules from time to time during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

### (z) Present status of the [REDACTED] Share Scheme

As of the Latest Practicable Date, no option had been granted or agreed to be granted under the [REDACTED] Share Scheme.

Application has been made to the Stock Exchange for the approval for the [REDACTED] of and permission to [REDACTED] our Shares which may fall to be issued pursuant to the exercise of the options to be granted under the [REDACTED] Share Scheme, being [REDACTED] Shares in total.

## E. OTHER INFORMATION

### 1. Tax and other indemnities

Our Controlling Shareholders have entered into the Deed of Indemnity with and in favor of our Company (for ourselves and as trustee for each of our subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters, (i) any liability for estate duty under the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong), or legislation similar thereto in Hong Kong or any jurisdictions outside Hong Kong which may be incurred by any member of our Company on or before the [REDACTED]; (ii) other taxation which may be suffered by any member of our Group in respect of, among other things, any income, profits or gains earned, accrued or received on or before the [REDACTED]; and (iii) any claims, penalties or other indebtedness which may arise after the [REDACTED] resulting from the under-contribution of social insurance and housing provident fund as disclosed in “Business—Employees—Remuneration and benefits”, save (a) to the extent that sufficient provision or reserve has been made for such taxation, legal proceeding or non-compliance incident in the audited combined financial statements of our Group as set out in Appendix I; (b) to the extent that the liability for such taxation would not have arisen but for any act or omission of, or delay by, any member of our Group after the [REDACTED] without the prior written consent or agreement of our Controlling Shareholders, unless such act or omission is conducted or agreed upon in the ordinary course of business of our Group or under a legally binding obligation created on or before the [REDACTED]; and (c) to the extent such loss arises or is incurred only as a result of a retrospective change in law or regulations or the interpretation or practice thereof by any relevant authority coming into force after the [REDACTED].



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### **2. Litigation**

As of the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

### **3. Joint Sponsors**

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules. The Joint Sponsors will receive an aggregate fee of US\$1.4 million for acting as the sponsors for the [REDACTED].

The Joint Sponsors have made an application on our Company’s behalf to the Stock Exchange for the approval for the [REDACTED] of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this document (including any Shares which may be issued pursuant to the exercise of the [REDACTED] and any options that may be granted under the [REDACTED] Share Scheme). All necessary arrangements have been made for the Shares to be admitted into [REDACTED].

### **4. Preliminary expenses**

The preliminary expenses incurred and paid by our Company relating to the incorporation of our Company were RMB26,000.

### **5. No material adverse change**

Our Directors confirm that there has been no material adverse change in our Group’s financial or trading position since December 31, 2022 (being the date on which the latest audited consolidated financial information of our Group was prepared).

### **6. Promoters**

Our Company has no promoter. Within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [REDACTED] and the related transactions described in this document.

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**7. Taxation of holders of Shares**

*(a) Hong Kong*

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.13% of the consideration or, if higher, the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

*(b) Cayman Islands*

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfer of Shares.

*(c) Consultation with professional advisors*

Intending holders of the Shares are recommended to consult their professional advisors if they are in doubt as to the taxation implications of holding or [REDACTED] or [REDACTED] in the Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the [REDACTED] will accept responsibility for any tax effect on, or liabilities of, holder of Shares resulting from their holding or [REDACTED] of or [REDACTED] in Shares or exercise of any rights attaching to them.

**8. Qualifications and consents of experts**

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

<u>Name</u>	<u>Qualifications</u>
CITIC Securities (Hong Kong) Limited	A corporation licenced to conduct type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
ABCI Capital Limited	A corporation licenced to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor

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<u>Name</u>	<u>Qualifications</u>
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Commerce & Finance Law Offices	Legal advisors to our Company as to PRC laws
Hogan Lovells	Legal advisors to our Company as to International Sanctions laws
Frost & Sullivan (Beijing) Inc.	Industry consultant
Ernst & Young (China) Advisory Limited	Transfer pricing consultant
Cheng & Cheng Taxation Services Limited	Hong Kong tax consultant

Each of the experts named above has given and has not withdrawn its written consent to the issue of this document with the inclusion of its reports, letters, opinions, summaries of opinions and/or references to its name included herein in the form and context in which they respectively appear.

**9. Interests of experts in our Company**

None of the persons named in “—8. Qualifications and consents of experts” above is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

**10. Binding effect**

This document shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

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**11. Miscellaneous**

- (a) Within the two years immediately preceding the date of this document:
  - (i) save as disclosed in "History, Reorganization and Corporate Structure" in this document, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
  - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
  - (iv) no commission has been paid or payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
- (b) no founder, management or deferred Shares nor any debenture in our Company or any of our subsidiaries have been issued or agreed to be issued;
- (c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document;
- (d) the principal register of members of our Company will be maintained in the Cayman Islands by the [REDACTED] and a branch register of members of our Company will be maintained in Hong Kong by [REDACTED]. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to [REDACTED];
- (e) no company within our Group is presently [REDACTED] on any stock exchange or traded on any trading system and our Group is not seeking or proposing to seek any [REDACTED] of, or permission to [REDACTED], the share or loan capital of our Company on any other stock exchange;
- (f) our Directors have been advised that under the Cayman Companies Act the use of a Chinese name by our Company in conjunction with its English name does not contravene the Cayman Companies Act;
- (g) our Company has no outstanding convertible debt securities or debentures;

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**APPENDIX IV**

**STATUTORY AND GENERAL INFORMATION**

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- (h) there is no arrangement under which future dividend are waived or agreed to be waived; and
- (i) there is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong and from outside Hong Kong.

**12. Bilingual document**

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

In case of any discrepancies between the English language version and Chinese language version of this document, the English language version shall prevail.

**APPENDIX V**

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND DOCUMENTS ON DISPLAY**

**A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of the [REDACTED];
- (b) the written consents referred to in “Statutory and General Information—D. Other Information—8. Qualifications and Consents of Experts” in Appendix IV to this document; and
- (c) a copy of each of the material contracts referred to in “Statutory and General Information—B. Further Information about Our Business—1. Summary of Material Contracts” in Appendix IV to this document.

**B. DOCUMENTS ON DISPLAY**

The following documents will be published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of our Company ([www.burnasia.cn](http://www.burnasia.cn)) up to and including the date which is 14 days from the date of this document:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the Accountants’ Report from Ernst & Young, the text of which is set out in Appendix I to this document;
- (c) the report from Ernst & Young in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this document;
- (d) the audited consolidated financial statements of our Group for the three years ended December 31, 2022;
- (e) the legal opinion dated this document date issued by Commerce & Finance Law Offices, our legal advisors as to PRC laws, in respect of certain general corporate matters and the business operations of our Group;
- (f) the letter of advice prepared by Conyers Dill & Pearman, our legal advisors as to Cayman Islands laws, summarizing certain aspects of the company law of the Cayman Islands referred to in Appendix III to this document;
- (g) the International Sanctions memorandum prepared by Hogan Lovells, our legal advisors as to International Sanctions laws, in respect of the sanctions analysis of our Group’s sales in the Relevant Regions;
- (h) the Frost & Sullivan Report;

**APPENDIX V**

**DOCUMENTS DELIVERED TO THE REGISTRAR OF  
COMPANIES IN HONG KONG AND DOCUMENTS ON DISPLAY**

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- (i) the report from Cheng & Cheng Taxation Services Limited, our Hong Kong tax consultant, in respect of the Hong Kong Profits tax implications on profits derived from different business lines of our Group;
- (j) the report from Ernst & Young (China) Advisory Limited, our transfer pricing consultant, in respect of the analysis of transfer pricing and related transactions of our Group;
- (k) the written consents referred to in “Statutory and General Information—D. Other Information—8. Qualifications and consents of experts” in Appendix IV to this document;
- (l) the material contracts referred to in “Statutory and General Information—B. Further Information about Our Business—1. Summary of Material Contracts” in Appendix IV to this document;
- (m) the service agreements and the letters of appointment referred to in “Statutory and General Information—C. Further Information about Our Directors and Substantial Shareholders—1. Directors—(b) Particulars of service agreements and letters of appointment” in Appendix IV to this document; and
- (n) the Cayman Companies Act.