LC Logistics, Inc.
乐舱物流股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2490)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL AND OPERATION HIGHLIGHT

- Revenue for the year ended 31 December 2023 was RMB1,238.5 million.
- Profit attributable to owners of the parent for the year ended 31 December 2023 was RMB118.9 million.
- Basic earnings per share for the year ended 31 December 2023 was RMB0.45.
- Container shipping volume of cross-border logistics services for the year ended 31 December 2023 was 233,903 TEUs.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of LC Logistics, Inc. (the "**Company**") is pleased to announce the consolidated annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2023 (the "**Year**") with comparative figures for the year ended 31 December 2022. These annual results have been prepared in accordance with International Financial Reporting Standards (the "**IFRSs**") and have also been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	3	**1,238,471**	4,607,929
Cost of sales		**(1,011,853)**	(4,062,629)
GROSS PROFIT		**226,618**	545,300
Other income and gains		**5,710**	9,507
Selling and distribution expenses		**(17,366)**	(18,608)
Administrative expenses		**(83,083)**	(87,141)
Other expenses		**(1,351)**	(3,396)
Finance costs	4	**(5,388)**	(4,827)
Impairment losses on assets held for sale		**–**	(36,450)
Impairment losses on financial assets		**(2,426)**	(8,843)
Share of loss of an associate		**(46)**	(159)
PROFIT BEFORE TAX	5	**122,668**	395,383
Income tax expense	6	**(3,081)**	(9,076)
PROFIT FOR THE YEAR		**119,587**	386,307
Attributable to:			
Owners of the parent		**118,877**	380,944
Non-controlling interests		**710**	5,363
		119,587	386,307
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		**RMB0.45**	RMB1.49

	2023	2022
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**119,587**	386,307
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**2,145**	85,920
	2,145	85,920
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**2,145**	85,920
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(91)**	141
Income tax effect	**(28)**	(35)
	(119)	106
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	**(119)**	106
OTHER COMPREHENSIVE INCOME FOR YEAR, NET OF TAX	**2,026**	86,026
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**121,613**	472,333
Attributable to:		
Owners of the parent	**120,873**	466,055
Non-controlling interests	**740**	6,278
	121,613	472,333

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Prepayments and other receivables		**580,869**	377,181
Property, plant and equipment		**424,911**	400,338
Right-of-use assets		**6,984**	8,028
Goodwill		**8,572**	8,572
Intangible assets		**1,867**	2,127
Investments in an associate		**135**	181
Equity investments designated at fair value through other comprehensive income		**2,300**	2,391
Deferred tax assets		**1,175**	3,010
Total non-current assets		**1,026,813**	801,828
CURRENT ASSETS			
Inventories		**5,383**	6,598
Assets held for sale		**74,859**	86,557
Trade receivables	*9*	**89,260**	149,140
Due from related parties		**52**	631
Prepayments and other receivables		**30,355**	49,276
Income tax recoverable		**908**	118
Financial assets at fair value through profit or loss		**9,970**	6,368
Cash and bank balances		**207,887**	339,991
Total current assets		**418,674**	638,679
CURRENT LIABILITIES			
Trade payables	*10*	**172,398**	336,390
Other payables and accruals		**50,465**	126,793
Due to a related party		**–**	9,711
Interest-bearing bank and other borrowings		**51,266**	27,514
Tax payable		**24**	1,263
Lease liabilities		**4,579**	3,399
Total current liabilities		**278,732**	505,070
NET CURRENT ASSETS		**139,942**	133,609
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,166,755**	935,437

	2023	2022
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**–**	39,416
Lease liabilities	**2,196**	4,590
Deferred tax liabilities	**156**	252
Total non-current liabilities	**2,352**	44,258
NET ASSETS	**1,164,403**	891,179
EQUITY		
Equity attributable to owners of the parent		
Share capital	**205**	29
Reserves	**1,134,686**	878,880
	1,134,891	878,909
Non-controlling interests	**29,512**	12,270
TOTAL EQUITY	**1,164,403**	891,179

NOTES TO FINANCIAL STATEMENTS

1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs (which include all International Financial Reporting standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board (the "**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have 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. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2023. 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).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has 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 financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 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 the related assets (including goodwill), liabilities, any non-controlling interest and exchange fluctuation reserve; and recognises the fair value of any investment retained and 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.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendment to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and the impact of the revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. Since the Group did not apply the initial recognition exception, the amendments did not have any impact on the financial position or performance of the Group.

(d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2. 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

	2023	2022
	RMB'000	*RMB'000*
Greater China	**955,420**	4,236,275
Others	**283,051**	371,654
Total revenue	**1,238,471**	4,607,929

The revenue information above is based on the outbound cargoes of each geographical territory.

(b) Non-current assets

The 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 vessels and containers by geographical areas. Therefore, the vessels and containers are presented as unallocated non-current assets.

3. REVENUE

An analysis is as follows:

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers	**1,020,238**	4,389,175
Revenue from other sources		
Time charter income	**218,233**	218,754
Total	**1,238,471**	4,607,929

4. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2023	2022
	RMB'000	RMB'000
Interest on bank and other borrowings	**4,812**	4,372
Interest on lease liabilities	**576**	455
Total	**5,388**	4,827

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2023	2022
	RMB'000	RMB'000
Cost of services provided	**938,616**	4,025,832
Cost of inventories sold	**23,462**	–
Depreciation of property, plant and equipment	**39,509**	34,566
Depreciation of right-of-use assets	**4,853**	4,434
Amortisation of intangible assets	**402**	375
Impairment of assets held for sale	**–**	36,450
Impairment of financial assets, net		
– Trade receivables	**1,524**	9,466
– Other receivables	**902**	(623)
Fair value (gains)/losses on financial assets at fair value through profit or loss	**(202)**	232
Share of loss of an associate	**46**	159
Government grants	**(895)**	(571)
Foreign exchange gains	**(2,007)**	(6,803)
Interest income	**(1,959)**	(2,081)
Losses on disposal of property, plant and equipment	**877**	2,816
Losses on disposal of right-of-use assets	**39**	–
Listing fee	**24,536**	22,470
Auditor's remuneration	**1,650**	–
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages, salaries and other allowances	**41,241**	51,525
Pension scheme contributions and social welfare*	**8,481**	8,324
Total	**49,722**	59,849

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

6. 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 for the year.

Except for certain subsidiaries of the Group which were entitled to a preferential income tax rate of 20% for small and micro enterprises during the year with the first RMB1,000,000 of annual taxable income eligible for a 75% reduction, the provision for Chinese Mainland current income tax is based on the statutory rate of 25% of the assessable profits of the subsidiaries in Chinese Mainland as determined in accordance with the Corporate Income Tax Law.

	2023	2022
	RMB'000	*RMB'000*
Current tax:		
Chinese Mainland	**1,106**	8,598
Hong Kong	**264**	857
Deferred tax	**1,711**	(379)
Total tax charge for the year	**3,081**	9,076

A reconciliation of tax expense applicable to profit before tax at the statutory tax 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:

	2023	2022
	RMB'000	*RMB'000*
Profit before tax	**122,668**	395,383
Tax at the statutory tax rate	**30,667**	98,846
Effect of different tax rates applicable to subsidiaries	**(13,136)**	(30,940)
Expenses not deductible for tax	**142**	476
Income not subject to tax *(a)*	**(28,565)**	(59,424)
Tax losses and deductible temporary differences not recognised	**13,962**	78
Losses attributable to an associate	**11**	40
Tax charge at the Group's effective rate	**3,081**	9,076

(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.

7. DIVIDENDS

No dividends have been paid or declared by the Company during the year.

8. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

For the purpose of calculating basic and diluted earnings per share, the number of ordinary shares has been adjusted retrospectively for the effect of the reorganisation and the capitalisation issue as if the reorganisation and capitalisation issue had been completed on 1 January 2022.

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 263,607,277 (2022: 255,543,156) ordinary shares in issue during the year, as adjusted to reflect the rights issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

The calculations of basic and diluted earnings per share are based on:

	2023	2022
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	**118,877**	380,944

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year	**263,607,277**	255,543,156

9. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 1 month	**41,509**	41,789
1 to 3 months	**14,595**	57,422
3 to 6 months	**7,857**	26,090
6 to 12 months	**1,395**	11,589
Over 1 year	**23,904**	12,250
Total	**89,260**	149,140

10. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**147,842**	335,838
Over 1 year	**24,556**	552
	172,398	336,390

BUSINESS REVIEW

During the Year, the Group principally operated two business lines, namely cross-border logistics services and time charter services. In February 2023, it also commenced its supply chain solutions as the Group proactively leveraged its cumulative cross-border logistics resources and integration capabilities to seek and explore new sources of revenue.

Cross-border logistics services

Since the outbreak of COVID-19 in early 2020, the cross-border logistics service industry has been experiencing a high degree of volatility. With the experience and industry knowledge of the Group's management team, the Group is able to promptly adapt its service offering strategy and adjust its business focus to flexibly allocate its shipping resources between the two business lines of cross-border logistics services and time charter services from time to time. In 2021, the Group commenced self-operated cross-border logistics services when the market freight rate went up to capture market opportunities. During the year ended 31 December 2022, self-operated cross-border logistics services contributed approximately 59.3% of revenue from cross-border logistics services. However, as market freight rates decreased significantly since the second half of 2022, the Group had paused the offering of self-operated cross-border logistics services until November 2023 and resumed offering limited self-operated cross-border seaborne transportation services in December 2023.

During the Year, the Group provided mainly cross-border logistics services through third party shipping carriers covering destinations across the globe. The Group's service volume of cross-border seaborne transportation provided by third parties was 233,903 Twenty-foot equivalent unit (the "**TEUs**") in the Year, which was lower than the 255,613 TEUs in 2022, primarily due to favorable prevailing market conditions in 2022. The Group's average price per TEU of cross-border seaborne transportation provided by third parties decreased from approximately RMB7,000 in the year ended 31 December 2022 to approximately RMB4,000 in the Year, primarily due to a decrease in market freight rates.

Time charter services

The Group has flexible business plans to utilize its shipping capacity in time charter services with reference to market conditions and charter rates. During the Year, the Group chartered out five vessels and generated revenue of RMB218.2 million. The average daily charter rate was approximately RMB136,000 in the Year, which was lower than the approximately RMB191,000 in the same period in 2022, as affected by the decline of market charter rate during the second half of the year.

Others

During the Year, the Group generated RMB23.6 million of revenue from trading of imported goods under supply chain solutions, which is a natural business extension of cross-border logistics services. Since February 2023, the Group has entered into agreements with clients in China to provide supply chain solutions service, pursuant to which the Group is engaged to procure goods from foreign suppliers and provide logistics services to import the goods to China. During the Year, this new service offering was limited to importing paper products from the United States and Canada.

Business Outlook

2023 is a year full of challenges for the cross-border logistics service industry. The intensifying geopolitics conflicts and the reshaping of global industrial chain and supply chain after the COVID-19 pandemic resulted in a decline in global economy and international trade, adjustments of inventory period, and increases in capacity delivery and industry competition, which led to a significant decline in revenue from freight rates per container. However, the Company still maintained strong profitability by adopting strategies of differentiation and low-cost operation and making timely adjustment to its operating methods. Our Company focuses on and is deeply rooted in cross-border logistics and time charter services, and our results during the Year are in line with expectations.

According to the World Bank's forecast, the global economy will continue to slow down for the third consecutive year in 2024. However, the industrial shift in Asia is reshaping the demand for logistics in Southeast Asia and India trade routes.

The Company will look for opportunities to open self-operated shipping routes: Relying on a large customer base in China and Southeast Asia, the Company will devote more resources to upgrade and expand its fleet, in order to increase its shipping capacity and expand its service coverage.

In 2024, the market sentiment of dry bulk cargo reached new highs due to the falling market rate. According to the estimates by third-party agencies, global demand for infrastructure construction and engineering projects is expected to continue to grow in 2024, especially in developing countries along the Belt and Road. Such demand will drive a large amount of delivery and transportation of materials, equipment and personnel, which will provide huge development opportunities for the engineering project logistics. With a focus on Africa, South America and Southeast Asia, the Company will rely on the advantages of self-owned feeder vessels and provide door-to-door engineering procurement construction logistics solutions for integrated international engineering customers such as operators or manufacturers of electric power, construction, petroleum and petrochemical, rail transportation, machinery, steel, etc.

The Company plans to develop overseas warehouse business: According to the predictions by Frost & Sullivan, the global cross-border logistics services market is expected to continue to grow, with the market size expected to increase from USD343.8 billion in 2023 to USD404.9 billion in 2027. Based on the optimistic expectations for the global cross-border e-commerce market, the Company will create a full-chain cross-border e-commerce logistics ecosystem which integrates seaborne transportation, warehousing and last-mile delivery.

The Company will continue to pursue its efforts to develop its business, in order to achieve steady growth in the Company's performance and create greater value for its shareholders.

FINANCIAL REVIEW

Revenue

During the Year, the Group derived its revenue from (i) cross-border logistics services; (ii) time charter services; and (iii) others, being the trading of imported goods under the Group's supply chain solution services commenced in February 2023. The following table sets forth a breakdown of the Group's revenue by business line for the years indicated:

	For the year ended 31 December		Change in percentage
	2023	2022	
	RMB'000	*RMB'000*	
Revenue			
Cross border logistics services	**996,654**	4,389,175	-77.3%
Time charter services	**218,233**	218,754	-0.2%
Others	**23,584**	–	–
Total	**1,238,471**	4,607,929	-73.1%

Revenue of the Group decreased by approximately 73.1% from RMB4,607.9 million for the year ended 31 December 2022 to RMB1,238.5 million for the Year. This decrease was mainly attributable to a decrease in revenue generated from cross border logistics services from RMB4,389.2 million for the year ended 31 December 2022 to RMB996.7 million for the Year, due to (a) a decrease in average price per TEU from RMB12,300 for the year ended 31 December 2022 to RMB4,000 for the Year as a result of the decrease in market freight rates, as well as the decrease in provision of self-operated cross-border logistics services during the year; and (b) a decrease in service volume from 355,663 TEUs for the year ended 31 December 2022 to 233,903 TEUs for the Year, primarily due to market conditions.

Cost of sales

Cost of sales decreased by approximately 75.1% from RMB4,062.6 million for the year ended 31 December 2022 to RMB1,011.9 million for the Year, which was generally in line with the decrease in revenue. This decrease was primarily due to the decrease in costs in relation to the Group's cross border logistics services, including bunker costs, vessel chartering costs, port charges, freight fees etc.

Gross profit and gross profit margin

Gross profit represents revenue less cost of sales. As a result of the foregoing, gross profit decreased by approximately 58.4% from RMB545.3 million for the year ended 31 December 2022 to RMB226.6 million for the Year.

Gross profit margin increased from 11.8% for the year ended 31 December 2022 to 18.3% for the Year, as revenue contribution of time charter services, which had higher gross profit margin, increased from 4.7% of the total revenue of the Group during the year ended 31 December 2022 to 17.6% during the Year.

Other income and gains

Other income and gains primarily include foreign exchange gains, interest income and government grants. Other income and gains decreased by approximately 40.0% from RMB9.5 million for the year ended 31 December 2022 to RMB5.7 million for the Year, primarily due to the decrease in foreign exchange gains.

Selling and distribution expenses

Selling and distribution expenses primarily include salaries and welfare of the Group's sales and marketing team and travel expenses. Selling and distribution expenses decreased by approximately 6.5% from RMB18.6 million for the year ended 31 December 2022 to RMB17.4 million for the Year, primarily due to the decrease in salaries and welfare.

Administrative expenses

Administrative expenses primarily include (i) salaries and welfare of the Group's administrative staff; (ii) listing fee; (iii) consulting fees; (iv) depreciation and amortization and (v) office expenses and travel expenses. Administrative expenses remained relatively stable at RMB87.1 million and RMB83.1 million for the years ended 31 December 2022 and 2023, respectively.

Other expenses

Other expenses primarily represent losses on disposal of non-current assets in relation to the disposal of containers. Other expenses decreased by approximately 58.8% from RMB3.4 million for the year ended 31 December 2022 to RMB1.4 million for the Year, primarily due to the decrease in losses on disposal of non-current assets in relation to the disposal of our containers.

Finance costs

Finance costs include interest expense on bank and other borrowings and interest expense on lease liabilities. Finance costs increased from RMB4.8 million for the year ended 31 December 2022 to RMB5.4 million for the Year, primarily due to the increase in monthly average borrowing balance during the Year, which a portion of the borrowings was drawn down in late 2022.

Impairment losses on financial assets

Impairment losses on financial assets primarily consist of impairment on trade receivables and other receivables. Impairment losses on financial assets decreased by approximately 72.7% from RMB8.8 million for the year ended 31 December 2022 to RMB2.4 million for the Year, primarily due to the decrease in allowance made for trade receivables during the Year.

Share of loss of an associate

Share of loss of an associate is related to Lecang International Logistics (Wuxi) Co., Ltd, in which the Group held a 40.0% equity interest. Share of loss of an associate decreased from RMB0.2 million for the year ended 31 December 2022 to RMB46,000 for the Year.

Profit before tax

As a result of the foregoing, profit before tax decreased by approximately 69.0% from RMB395.4 million for the year ended 31 December 2022 to RMB122.7 million for the Year.

Income tax expense

Income tax expense primarily consists of PRC corporate income tax and Hong Kong profits tax. The Group's income tax expense was RMB9.1 million and RMB3.1 million for the years ended 31 December 2022 and 2023, respectively. The decrease was primarily attributable to the decrease in taxable profit of the Group.

Profit for the Year

As a result of the foregoing, the Group's profit for the year decreased by approximately 69.0% from RMB386.3 million for the year ended 31 December 2022 to RMB119.6 million for the Year.

Liquidity, Financial and Capital Resources

The Group met and expects to continue meeting its operating capital, capital expenditure and other capital needs with proceeds from its listing (the "**Listing**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and cash generated from operations. The Group plans to obtain additional bank borrowings and other borrowings for working capital purposes and will continue to evaluate potential financing opportunities based on its need for capital resources and market conditions.

Net current assets

As at 31 December 2023, the Group's net current assets amounted to RMB139.9 million (31 December 2022: RMB133.6 million). Specifically, the Group's total current assets decreased by approximately 34.4% from RMB638.7 million as at 31 December 2022 to RMB418.7 million as at 31 December 2023. The Group's total current liabilities decreased by approximately 44.8% from RMB505.1 million as at 31 December 2022 to RMB278.7 million as at 31 December 2023.

Cash position

As at 31 December 2023, the Group had cash and bank balances of RMB207.9 million (31 December 2022: RMB340.0 million). The following table sets forth the currencies in which the Group's cash and bank balances were denominated as at 31 December 2023:

	As at 31 December 2023 *RMB'000*
Denominated in RMB	**19,764**
Denominated in United States dollars ("**USD**")	**59,989**
Denominated in Malagasy ariary	**468**
Denominated in Hong Kong dollars	**127,666**
Total cash and bank balances	**207,887**

Borrowings

As at 31 December 2023, the Group had borrowings of RMB51.3 million (31 December 2022: RMB66.9 million), which comprised interest-bearing bank and other borrowings.

The following table sets forth the maturity profiles of the Group's interest-bearing bank and other borrowings as at the dates indicated:

	As at 31 December 2023 *RMB'000*	As at 31 December 2022 *RMB'000*
Bank loans and overdraft repayable:		
– Within one year	**10,000**	10,000
Other borrowings repayable:		
– Within one year	**41,266**	17,514
– In the second year	**–**	39,416
Subtotal	**41,266**	56,930
Total	**51,266**	66,930

As at 31 December 2023, except for the borrowings in the amounts of RMB41.3 million denominated in USD (31 December 2022: RMB56.9 million), the remaining borrowings of the Group were denominated in RMB. All of the Group's bank and other borrowings bear interest at fixed interest rates ranging from 3.25% to 11.81% as at 31 December 2023 (31 December 2022: 3.65% to 11.81%).

Borrowing costs

The Group's interest on bank and other borrowings increased from RMB4.4 million for the year ended 31 December 2022 to RMB4.8 million for the Year, primarily due to the increase in monthly average borrowing balance during the Year, which a portion of the borrowings was drawn down in late 2022.

Pledge of assets

As at 31 December 2023, the Group had mortgaged the container vessels with carrying amounts of RMB33.6 million (31 December 2022: RMB34.0 million) to secure bank and other borrowings amounting to RMB20.0 million (31 December 2022: RMB36.9 million).

As at 31 December 2023, the Group had pledged deposits of RMB4.1 million (31 December 2022: nil) as security for letters of credit.

Financial risks

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.

Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's other borrowings. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using a fixed rate.

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.

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. 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. 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.

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.

Key Financial Ratios

As at 31 December 2023, the current ratio of the Group, being the current assets divided by the current liabilities, was 1.5 times (31 December 2022: 1.3 times).

The Group monitors its capital using a gearing ratio, which is sum of interest-bearing borrowings and due to a related party divided by total equity. The Group's policy is to maintain a healthy gearing ratio. As at 31 December 2023, the gearing ratio of the Group was 4.4% (31 December 2022: 8.6%). The decrease of the Group's gearing ratio was mainly attributable to the settlement of amounts due to a related party and interest-bearing borrowings during the Year.

Contingent Liabilities

As at 31 December 2023, the Group had no significant contingent liabilities.

Commitments

As at 31 December 2023, the Group had capital commitments of RMB1,393.2 million (31 December 2022: RMB1,512.1 million). The amount as at 31 December 2023 was related to purchase of container vessels.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES COMPANIES AND JOINT VENTURES

During the Year, the Group did not have any material acquisition or disposal of subsidiaries, associates or joint ventures.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

The Group did not have any significant investments held during the Year.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group intends to utilize the net proceeds from the Listing in accordance with the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 13 September 2023 (the "**Prospectus**"). Save as disclosed, the Company did not have any other future plans for material investments or capital assets as of the date of this announcement.

USE OF PROCEEDS FROM THE LISTING

The aggregate net proceeds from the Listing (involving the issue of a total of 28,390,000 ordinary shares (the "**Shares**") of the Company at the offer price of HK$5.13 per Share and the issue of 2,336,000 additional Shares pursuant to the Over-allotment Option (as defined in the Prospectus) at the offer price of HK$5.13 per Share), after deducting related underwriting fees and other expenses in connection with the Listing, were approximately HK$95.1 million (the "**Net Proceeds**"). The Net Proceeds will be utilized for the purposes as set out in the Prospectus. The following table sets forth the status of the use of proceeds from the Listing up to the 31 December 2023:

Use	**Percentage of the Net Proceeds as stated in the Prospectus**	**Net Proceeds upon the Listing taking into account the partial exercise of the Over-Allotment Option** *HK$ million*	**Actual use of the Net Proceeds subsequent to the Listing and up to 31 December 2023** *HK$ million*	**Unutilized Net Proceeds as at 31 December 2023** *HK$ million*	**Expected timeframe of full utilization of the Net Proceeds**
Setting up logistics facilities, including warehouses and container yards, purchasing trucks and investing in software systems for warehouse, order and transportation management	52.0%	49.4	2.0	47.4	2025
Expanding the business coverage and global network	4.0%	3.8	–	3.8	2025
Adopting digital technologies and upgrading internet service systems in providing integrated cross-border logistics services	7.0%	6.7	–	6.7	2025
Strategic investments and/or acquisitions in businesses or assets that complement the Group's business	20.0%	19.0	–	19.0	2025
Establishing a trucking service matching platform	7.0%	6.7	–	6.7	2025
General corporate purposes and working capital needs	10.0%	9.5	8.5	1.0	2025
Total	100.0%	95.1	10.5	84.6	

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2023, the Group had a total of 324 full-time employees. For the year ended 31 December 2023, the staff cost relating to the Group's own employees recognized as expenses amounted to RMB52.7 million.

The Group offers its own employees remuneration packages that include a fixed salary, allowances and a performance-based bonus. In general, the Group determines an employee's salary based on each employee's qualifications, experience and capability as well as the prevailing market remuneration rate. The Group is required to make contributions to mandatory social insurance funds for its 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 Year, there was no labour union established by the Group's employees and the Group had not experienced any significant disputes with its employees or any disruption to its operations due to labour disputes nor had we experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel.

The Group provides orientation training to its newly recruited employees to help them understand the corporate culture of the Company. The Group also organizes a mentorship program where its more experienced employees would help its newly recruited employees to enhance their skills and knowledge in relation to the daily operation. From time to time, the Group also holds training meetings to enhance the skills of its employees.

SUBSEQUENT EVENTS

There has been no material events affecting the Company since 31 December 2023 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Except for the Company's Global Offering (including the partial exercise of Over-Allotment Options as disclosed in the announcement of the Company dated 18 October 2023) as described in the Prospectus, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company from 1 January 2023 to the date of this announcement.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2023.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting (the "**AGM**") will be convened and held on Monday, 20 May 2024. A notice convening the AGM will be published on the websites of the Company and the Hong Kong Exchanges and Clearing Limited and despatched to the shareholders of the Company (the "**Shareholders**") in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in due course. For the purpose of determination of eligibility of the Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 14 May 2024 to Monday, 20 May 2024 (both days inclusive), during which period no transfer of Shares will be effected. In order to be entitled to attend and vote at the forthcoming AGM to be held on Monday, 20 May 2024, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. (Hong Kong time) on Monday, 13 May 2024.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to achieving high standards of corporate governance practices to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company had adopted the corporate governance code (the "**Corporate Governance Code**") as set out in the Part 2 of Appendix C1 to the Listing Rules as its own code on corporate governance since the Listing.

Under code provision C.2.1 of Part 2 of the Corporate Governance Code, the role of chairman and chief executive should be separate and should not be performed by the same individual. The role of chairman of the Board and chief executive officer of the Company are both performed by Mr. Xu Xin. The Board believes that vesting the roles of both the chairman of the Board and the chief executive officer of the Company in Mr. Xu would enable the Company to achieve higher responsiveness, efficiency and effectiveness when 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 the Group, the Board believes that it is beneficial to the business prospects of the Group that Mr. Xu continues to act as both the chairman of the Board and chief executive officer after Listing, and the balance of power and authority is sufficiently maintained by the operation of the Board, comprising the executive Directors and independent non-executive Directors.

As the Shares were listed on the Stock Exchange on 25 September 2023 (the "**Listing Date**"), the Corporate Governance Code was not applicable to the Company before the Listing Date, but has been applicable to the Company thereafter. Save as disclosed above, the Board considered that the Company has complied with all applicable code provisions set out in the Corporate Governance Code since the Listing Date and up to 31 December 2023.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as the guidelines for the Directors' dealings in the securities of the Company since the Listing. After making specific enquiries to all the Directors and relevant employees of the Company, each of them has confirmed that they have complied with the required standards set out in the Model Code for the period from the Listing Date to 31 December 2023.

REVIEW OF THE ANNUAL RESULTS BY THE AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee comprised three independent non-executive Directors, namely Dr. Gu Lin, Mr. Du Haibo and Mr. Qi Yinliang. The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2023. The Audit Committee and the Company's management have also reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to risk management, internal control and financial reporting. The Audit Committee has agreed with the management of the Company on the annual results of the Group for the year ended 31 December 2023.

The Audit Committee has reviewed and discussed the annual results for the year ended 31 December 2023. The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the announcement have been agreed with the auditor of the Company, Ernst & Young, Certified Public Accountants of Hong Kong. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.lcang.com). The annual report of the Company for the year ended 31 December 2023 containing all the information required by the Listing Rules will be despatched to the Shareholders and made available for review on the same websites in due course.

By Order of the Board
LC Logistics, Inc.
Mr. Xu Xin
Chairman of the Board

Hong Kong, 26 March 2024

As at the date of this announcement, the Board comprises Mr. Xu Xin, Ms. Li Yan, Ms. Zhu Jiali and Mr. Yu Zhenrong as executive Directors, and Dr. Gu Lin, Mr. Du Haibo and Mr. Qi Yinliang as independent non-executive Directors.