乐舱物流股份有限公司
LC Logistics, Inc.

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2490

2023 ANNUAL REPORT

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Corporate Information

Board of Directors

Executive Directors

Mr. XU Xin
Ms. LI Yan
Ms. ZHU Jiali
Mr. YU Zhenrong

Independent non-executive Directors

Dr. GU Lin
Mr. DU Haibo
Mr. QI Yinliang

Audit Committee

Mr. DU Haibo (Chairman)
Dr. GU Lin
Mr. QI Yinliang

Remuneration Committee

Mr. QI Yinliang (Chairman)
Mr. XU Xin
Dr. GU Lin

Nomination Committee

Mr. XU Xin (Chairman)
Mr. QI Yinliang
Dr. GU Lin

Joint Company Secretaries

Ms. DING Sujun
Ms. HO Yin Kwan

Authorised Representatives

Mr. XU Xin
Ms. HO Yin Kwan

Auditor

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

Compliance Advisor

Dongxing Securities (Hong Kong) Company Limited

Legal Advisers as to Hong Kong Law

Sidley Austin

Registered Office

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Headquarters and Principal Place of Business in the PRC

9/F, China Stone Building
37 Hong Kong Middle Road, Shinan District
Qingdao, Shandong Province
PRC

Principal Place of Business in Hong Kong

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wan Chai, Hong Kong

Cayman Islands Principal Share Registrar and Transfer Office

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong

Principal Banks

The Bank of East Asia (China) Limited,
Qingdao Branch

Bank of China Limited,
Dalian Lu Sub-Branch

Hong Kong and Shanghai Banking Corporation Limited

Website

www.lcang.com

Stock Code

2490

Corporate Profile

LC Logistics, Inc. ("**LC Logistics**" or the "**Company**" and together with its subsidiaries, the "**Group**") provides integrated cross-border seaborne logistics services in China covering cargo pick-up and sorting, customs clearance, cross-border seaborne transportation, warehouse transit and last-mile delivery. The Group focuses on cross-border logistics services as its primary business line, and has accumulated vessel operation-related resources and capabilities through its time charter operation to strengthen its ability to provide cross-border logistics services.

Founded in 2004, the Group had grown from a freight forwarding company to an integrated cross-border logistics service provider in China, and had set footprints in key ports in China and established branches in cities on the east coast to carry out its cross-border logistics service business. On 25 September 2023, the shares of the Company (the "**Shares**") was listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing**"), which marked a new chapter of the Company.

Dear Shareholders,

On behalf of the board of directors of LC Logistics, Inc., I am honored to present to you the annual results report for the year ended 31 December 2023.

In 2023, the global logistics industry continued to face unprecedented challenges. Despite the complex and volatile international trade environment and economic fluctuations, LC Logistics remained committed to innovation and optimization. By continuously improving service quality and expanding business scope, it has achieved profitability despite the challenging environment.

Performance Overview

In 2023, LC Logistics achieved revenue of RMB1,238.5 million, with profit attributable to owners of the parent reaching RMB118.9 million and basic earnings per share of RMB0.45. Our cross-border logistics services achieved a service volume of 233,903 TEUs, which reflected the competitiveness and market influence of LC Logistics in the industry.

Operational Highlights

Service network expansion: The Group continues to optimize and expand its service network, especially in the field of cross-border logistics services. Through in-depth cooperation with domestic and foreign partners, we have enhanced the coverage and efficiency of our services.

Technological innovation and application: In terms of technological innovation, LC Logistics has dedicated considerable resources to develop more intelligent logistics solutions and improve the level of automation and informatization of logistics operations, in order to provide customers with more convenient and efficient services.

Green logistics and sustainable development: We actively promote green logistics projects, with the aim of achieving sustainable development in our logistics business by using eco-friendly materials and optimizing transportation routes to reduce carbon emissions.

Going Forward

Looking ahead, LC Logistics will continue to uphold the concept of innovation, efficiency and green development. We will also constantly explore new business models and markets. With technology as our core driving force, we will strengthen our internal management, enhance our service quality, and further expand our market share, in order to create greater value for our Shareholders and customers.

Finally, I would like to express my sincere gratitude to all Shareholders, customers and hardworking employees who have supported the development of LC Logistics. We firmly believe that, with everyone's collective effort, LC Logistics will be able to overcome every challenge ahead and capture opportunities that may arise. We will work together to create a brilliant future.

Xu Xin
Chairman of the Board and Chief Executive Officer
LC Logistics, Inc.
26 March 2024

Management Discussion and Analysis

Business Review

During the year ended 31 December 2023 (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. The 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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

Income tax expense

Income tax expense 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 the Listing on 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 receivables, amounts due from related parties, financial assets included in prepayments and other receivables, cash and cash equivalents, and financial liabilities included in other payables and accruals, which arise directly from its operations. The Group has other financial assets and liabilities such as pledged deposits and 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 report.

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 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 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	Actual use of the Net Proceeds subsequent to the Listing and up to 31 December 2023	Unutilized Net Proceeds as at 31 December 2023	Expected timeframe of full utilization of the Net Proceeds
		HK$ million	*HK$ million*	*HK$ million*	
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 report.

Biographies of Directors and Senior Management

Directors

Executive Directors

Mr. Xu Xin (許昕), aged 45, is the executive Director, chief executive officer, president and the chairman of the Board, mainly responsible for the formulation of strategies and decision-making on operation and management of the Group.

Mr. Xu has over 21 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 the 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 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 the Company.

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 electrics 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 37, is the executive Director and vice president of the Company. Ms. Li is mainly responsible for assisting in the formulation of strategies and decision-making on operation and management of the Group.

Ms. Li has over 16 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 the Group. Since May 2015, Ms. Li has been serving as the general manager of Qingdao Jiliang, where she has been primarily responsible for overall management of the company. Ms. Li has also been a director of certain subsidiaries of the 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 43, is the executive Director and chief financial officer and is mainly responsible for the overall supervision and management of financial and accounting affairs of the Group.

Ms. Zhu has approximately 19 years of experience in the global shipping and logistics industry and accounting. Ms. Zhu joined the Group in November 2004. From November 2004 to May 2005, Ms. Zhu worked as a container management operator at the 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 the 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 the Company.

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 49, is the executive Director. Mr. Yu joined the Group in January 2021 as a director of Shandong Lcang and has been mainly responsible for providing strategic advices on management of the Group.

Mr. Yu has over 27 years of experience in corporate consulting service. Prior to joining the 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.

Biographies of Directors and Senior Management

Independent non-executive Directors

Dr. Gu Lin (顧琳), aged 49, is the independent non-executive Director. 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 the Group.

Dr. Gu has over 20 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 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 54, is the independent non-executive Director. He has been serving as an independent director of Shandong Lcang since January 2021 and he is primarily responsible for providing independent advice on the operations and management of the Group. Mr. Du has extensive work experience in the audit and he is currently engaging in various positions in the following entities:

Name of entity	Principal business	Position	Responsibilities	Period of service
Henan Zhengyong Accountant Firm Co., Ltd.	Audit service, financial and accounting consultation	Chairman	overall management and business operations of the company	December 1999 to present
Henan Zhengyong Business Consulting Co., Ltd.	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.	Consultation of engineering cost	Chairman	overall management and business operations of the company	June 2010 to present

Name of entity	Principal business	Position	Responsibilities	Period of service
Henan Energy Group Co., Ltd.	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
Zhengzhou Grain Wholesale Market Co., Ltd.	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.	Garment production and sales	Director	promoting and improving strategies of the company	January 2019 to present

In addition, Mr. Du is currently holding 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
KASEN International Holdings Limited	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
Henan Shuanghui Investment & Development Co., Ltd.	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
XuHui Design Co., Ltd.	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

Biographies of Directors and Senior Management

Name of entity	Principal business	Place of listing and stock code	Position	Responsibilities	Period of service
SF Diamond Co., Ltd.	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
Henan Thinker Automatic Equipment Co., Ltd.	Research of safety and security technology and development of application software of railroad transportation	Shanghai Stock Exchange (stock code: 603508)	Independent director	supervising and providing independent advice to the board of the company	August 2023 to present

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 in investment consulting services before its cessation of business.

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 40, is the independent non-executive Director. 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 the Group.

Mr. Qi has over 18 years of experience in information technology and business management consulting services. He is currently holding several positions and directorships in the following entities:

Name of entity	Principal business	Position(s)	Responsibilities	Period of service
Shanghai Haiji Information Technology Co., Ltd.	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
Zhejiang Free Trade Zone Maritime Consulting Service Co., Ltd.	Information technology and enterprise management consulting services	Director	formulating business plans, investment proposals, annual financial budgets of the company	March 2020 to present

Name of entity	Principal business	Position(s)	Responsibilities	Period of service
Guangdong Haiji Information Technology Co., Ltd.	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.	Enterprises management, information and financial consulting services	Director and general manager	overall management of the company	August 2021 to present

In addition, Mr. Qi is acting as an independent director in Fujian Highton Development Co., Ltd., a company engaging in cargo shipments in the PRC listed in Shanghai Stock Exchange (Stock code: 603162). Mr Qi is responsible for providing independent advice and judgment to management of the company.

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.

Joint Company Secretaries

Ms. Ding Sujun (丁素君), aged 33, was appointed as the joint company secretary on 20 October 2022. Ms. Ding joined the Group in July 2017 as the secretary of the board of Shandong Lcang and has been responsible for the Company's 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 8 years of experience in legal, compliance and company secretarial matters. Prior to joining the 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.

Biographies of Directors and Senior Management

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 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.

Ms. Ho Yin Kwan (何燕群), was appointed as the joint company secretary on 20 October 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 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.

Senior Management

Mr. Sun Hongyang (孫宏陽), aged 43, joined the Group in March 2022 and has been serving as its vice president since then. He is mainly responsible for investing, financing and overall capital operation of the Group.

Prior to joining the Group, Mr. Sun has over 23 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.

Mr. Zhang Feng (張峰), aged 55, joined the Group in June 2017 and has been serving as the vice president since then. He is mainly responsible for overseeing short-sea seaborne transportation business of the Group.

Mr. Zhang has over 28 years of experience in the freight logistics industry in the PRC. Prior to joining the 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.

Biographies of Directors and Senior Management

Mr. Ye Tao (葉濤), aged 49, joined the Group in August 2021 and has been serving as the 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 the Group.

Mr. Ye has over 27 years of experience in the freight logistics industry in the PRC. Prior to joining the 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.

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 program 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.

Save as Ms. Li Yan being the spouse of Mr. Xu Xin, there is no other information relating to the relationship of any of the Directors with other Directors and senior management officers that should be disclosed pursuant to Rule 13.51(2) or paragraph 12 of Appendix D2 of the Listing Rules.

Save as disclosed in this section, to the best of the knowledge, information and belief of the Directors having made all reasonable inquiries, there was no other matter with respect to the appointment of the Directors that needed to be brought to the attention of our Shareholders and there was no information relating to the Directors that was required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

Corporate Governance Practices

The board of Directors (the "**Board**") is committed to maintaining high standards of corporate governance.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

Since the Listing Date, the Company has applied the principles of good corporate governance as set out in Part 2 of the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 of the Listing Rules and, to the best knowledge of the Directors, the Company has complied with all applicable code provisions under the CG Code since the Listing and up to the date of this report, except the following:

Pursuant to code provision C.2.1 of Part 2 of the CG Code 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 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 chairman of the Board and chief executive officer in the same individual 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, 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.

The Board has resolved to adopt a Board Independence Evaluation Mechanism, to ensure independent view and input are available to the Board. The Board Independence Evaluation Mechanism includes various measures to ensure independent views and input are available to the Board.

The Board shall at all times comprise at least three independent non-executive Directors that represent at least one-third of the Board, such that there is always a strong element of independence on the Board which can effectively exercise independent judgment. Each independent non-executive Director is required to provide an annual confirmation of his/her independence to the Company and the Nomination Committee is responsible to assess the independence of each independent non-executive Director at least annually.

All the Directors, including the independent non-executive Directors, are given equal opportunity and channels to communicate and express their views to the Board and have separate and independent access to the management of the Group in order to make informed decisions. All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The chairman of the Board will hold meetings with the independent non-executive Directors without the involvement of other Directors at least annually to discuss any issues and concerns. Any Director or his/her associate who has a conflict of interest in a matter to be considered by the Board will be dealt with by a physical Board meeting rather than by written resolutions. Such Director will be required to declare his/her interests before the meeting and abstain from voting and not counted towards the quorum on the relevant resolutions. Independent non-executive Directors who, and whose associates, have no interest in the matter should attend the Board meeting.

The Board has reviewed and considered that the Board Independence Evaluation Mechanism is effective in ensuring that independent views and input are provided to the Board during the year ended 31 December 2023.

Corporate Governance Report

Directors' Securities Transactions

Since the Listing Date, the Company has adopted the Model Code for Securities Transactions by Directors of Listing Issuers (the "**Model Code**") set out in Appendix C3 to the Listing Rules as the code of conduct regarding Directors' dealings in the securities of the Company.

Having made specific enquiry of all the Directors, all the Directors confirmed that they have complied with the required standards set out in the Model Code since the Listing and up to the date of this report.

The Board has also established written guidelines (the "**Guidelines**") to regulate all dealings of Shares by relevant employees who are likely to be in possession of inside information in relation to the Company's securities and unpublished information as referred to code provision C.1.3 of the CG Code. The Company is not aware of any incident of non-compliance of the Guidelines committed by any employees since the Listing and up to the date of this report.

Board of Directors

Composition of the Board

Up to the date of this report, the persons who held directorship in the Company are listed below:

Members of the Board	Position(s)
Executive Directors	
Mr. Xu Xin	Executive Director, chief executive officer, president and chairman of the Board
Ms. Li Yan	Executive Director and vice president
Ms. Zhu Jiali	Executive Director and chief financial officer
Mr. Yu Zhenrong	Executive Director
Independent Non-executive Directors	
Dr. Gu Lin	Independent non-executive Director
Mr. Du Haibo	Independent non-executive Director
Mr. Qi Yinliang	Independent non-executive Director

The biographical information of the Directors and the relationships between the members of the Board are set out and disclosed in the section headed "Biographies of Directors and Senior Management" on pages 16 to 21 of this report. Ms. Li Yan is the spouse of Mr. Xu Xin, an executive Director, chief executive officer, president of the Company and chairman of the Board. Save as disclosed above, there are no financial, business, family or other material relationships among members of the Board.

Attendance record of Directors

The attendance records of each Director at the Board meetings, Board committee meetings and the general meetings of the Company held during the period from the Listing Date to 31 December 2023 is set out below:

	Number of attendance/Number of meeting(s)				
Directors	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**General meetings**
Executive Directors					
Mr. Xu Xin (Chairman and chief executive officer)	2/2	–	–	–	–
Ms. Li Yan	2/2	–	–	–	–
Ms. Zhu Jiali	2/2	–	–	–	–
Mr. Yu Zhenrong	2/2	–	–	–	–
Independent Non-executive Directors					
Dr. Gu Lin	2/2	2/2	–	–	–
Mr. Du Haibo	2/2	2/2	–	–	–
Mr. Qi Yinliang	2/2	2/2	–	–	–

Responsibilities of the Directors and management

The Board should assume responsibility for leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and expertise to the Board for its efficient and effective functioning. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interest and serving on Board committees, all independent non-executive Directors make various contributions to the effective direction of the Company.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses, for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

Corporate Governance Report

The Board is responsible for decision-making in all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. The Board has delegated its powers relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company to Mr. Xu Xin, the chief executive officer of the Company.

The Directors shall carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and the Shareholders at all times.

Each Director should also have a proper understanding of the Company's operations and business and is fully aware of his responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

The Board has clearly set out the circumstances under which the management should report to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Board regularly reviews the above said circumstances and ensures they remain appropriate.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis. Details of the insurance is discussed in the paragraph headed "Permitted Indemnity" of the Report of the Directors.

Independent non-executive Directors

Since the Listing Date, the Board has at all times met the requirements of Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. The three independent non-executive Directors represent more than one-third of the Board, complying with the requirement under Rule 3.10A of the Listing Rules whereby independent non-executive directors of a listed issuer must represent at least one-third of the board. The Board believes there is sufficient independence element in the Board to safeguard the interest of Shareholders.

Confirmation of independence

The Company has received from each independent non-executive Director an annual confirmation of his independence for the period from the Listing Date up to and including 31 December 2023 pursuant to Rule 3.13 of the Listing Rules and considers all of them to be independent.

Continuous professional development of Directors

All the Directors in office during the year ended 31 December 2023, namely Mr. Xu Xin, Ms. Li Yan, Ms. Zhu Jiali, Mr. Yu Zhenrong, Dr. Gu Lin, Mr. Du Haibo and Mr. Qi Yinliang, have complied with code provision C.1.4 of Part 2 of the CG Code and participated in continuous professional development to develop and refresh their knowledge and skills, which ensures that their contribution to the board remains informed and relevant.

All Directors in office during the year ended 31 December 2023 have been provided with necessary induction training and materials to ensure that they have proper understanding of the operation and business of the Company and their responsibilities under the relevant laws, regulations and rules. The Company will continue to provide updates to Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

Confirmation from Directors under Rule 3.09D

Each of the Directors has been appointed before 31 December 2023 and executed the then applicable form B Declaration and Undertaking with regard to Directors, and understands his or her obligations as a director of a listed issuer under the Listing Rules.

Chairman and Chief Executive Officer

Pursuant to code provision C.2.1 of Part 2 of the CG Code, the role of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

During the year ended 31 December 2023, the positions of the chairman of the Board and chief executive officer of the Company were both held by Mr. Xu Xin. 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, 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. Therefore, the Directors consider that the deviation from such code provision is appropriate and are of the view that the Board is able to work efficiently and perform its responsibilities with all key and appropriate issues discussed in a timely manner.

Appointment, Re-Election and Removal of Directors

Pursuant to the code provision B.2.2 of Part 2 of the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Each of the independent non-executive Directors of the Company is appointed for a specific term and is subject to retirement by rotation at least once every three years pursuant to terms and conditions of their respective appointment letter, the Articles of Association and the Listing Rules.

Under articles 83(2) and 83(3) of the Articles of Association, the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy on the Board, or as an addition to the existing Board. The Directors shall have the power from time to time and at any time 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.

Pursuant to article 84 of the Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, the number nearest to but less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires.

In light of the foregoing requirements, Ms. Li Yan, Ms. Zhu Jiali and Mr. Yu Zhenrong shall retire by rotation and, being eligible, have offered themselves for re-election at the forthcoming annual general meeting of the Company.

Board Committees

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference explaining their roles, authorities and duties. The terms of references of the Board committees are available on the websites of the Stock Exchange and the Company.

Audit committee

The Company established the Audit Committee on 23 August 2023 pursuant to Rule 3.21 of the Listing Rules with written terms of reference in compliance with code provision D.3 of Part 2 of the CG Code. The Audit Committee consists of three independent non-executive Directors, namely Mr. Du Haibo, Dr. Gu Lin, Mr. Qi Yinliang. Mr. Du Haibo is the chairman of the Audit Committee and the 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 the Audit Committee include, but are not limited to (i) assisting the Board by providing an independent view of the effectiveness of the financial reporting, risk management and internal control systems of the Group, (ii) overseeing the audit process, developing and reviewing our policies and (iii) performing other duties and responsibilities as assigned by the Board.

During the year ended 31 December 2023, the Audit Committee held two meetings to discharge its duties including to review the interim results for the six months ended 30 June 2023, the significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, the appointment of external auditor and relevant scope of works, connected transactions and arrangements for employees to raise concerns about possible improprieties. The Audit Committee has been provided with sufficient resources to discharge its duties. The attendance record of the Audit Committee members during the period from the Listing Date to 31 December 2023 is set out in the paragraph "Board of Directors – Attendance records of Directors" of this annual report.

Remuneration committee

The Company established the Remuneration Committee on 23 August 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. The Remuneration Committee consists of three members, namely Mr. Qi Yinliang (independent non-executive Director), Mr. Xu Xin (executive Director) and Dr. Gu Lin (independent non-executive Director). Mr. Qi Yinliang is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include, but are not limited to (i) making recommendations to the Directors regarding the policy and structure for the remuneration of all the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of the Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives resolved by the Board from time to time; and (iv) reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

During the year ended 31 December 2023, the Remuneration Committee did not hold any meetings as the Company was newly listed on 25 September 2023.

Nomination Committee

The Company established the Nomination Committee on 23 August 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. The Nomination Committee consists of three members, namely Mr. Xu Xin (executive Director), Mr. Qi Yinliang (independent non-executive Director) and Dr. Gu Lin (independent non-executive Director). The Nomination Committee is chaired by Mr. Xu Xin.

The primary duties of the Nomination Committee include, but not limit to (i) reviewing the structure, size and composition of the Board, (ii) assessing the independence of independent non-executive Directors; and (iii) making recommendations to our Board on matters relating to appointment of Directors.

During the year ended 31 December 2023, the Nomination Committee did not hold any meeting as the Company was newly listed on 25 September 2023.

Nomination policy

The Board has adopted a nomination policy which sets out the selection criteria and procedure of appointing and re-appointing a Director.

In assessing the suitability of a proposed candidate, the Nomination Committee would consider a variety of factors including but not limited to character and integrity, professional qualification, relevant skill, experience and knowledge, contribution to board diversity, commitment in available time and interest, independence with reference to the requirements under Rule 3.13 of the Listing Rules in case of the appointment or re-appointment of independent non-executive Director and such other factors as it may deem are in the best interests of the Company and the Shareholders as a whole.

The Nomination Committee may utilise various methods for identifying candidates for directorship, including recommendations from Board members, management, and professional search firms and nominate suitable candidates to the Board. The Board will consider the recommendations of the Nomination Committee and is responsible for designating the candidates for directorship to be considered by the Shareholders for their election at the general meeting of the Company, or appointing the suitable candidate to act as Director to fill the Board vacancies or as an additional to the Board members, subject to compliance of the constitutional documents of the Company. All appointments of Director should be confirmed by letter of appointment and/or service contract setting out the key terms and conditions of the appointment of Directors.

Board diversity policy

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. The 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 the Company's strategic objectives and sustainable development. The 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 the Board.

The 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 the 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 the Directors range from 37 years old to 54 years old.

The 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 the Board that may meet the target gender diversity, the 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 one more female to the Board in the next five years.

The Nomination Committee is responsible for ensuring the diversity of the Board members. The Nomination Committee will review the board diversity policy and its implementation from time to time to monitor its continued effectiveness.

Joint Company Secretaries

The Company has appointed Ms. Ding Sujun as the joint company secretary. Ms. Ding is primarily responsible for the corporate governance matters, information disclosure pursuant to applicable regulatory requirements, investor relationship management and communication with the relevant competent regulatory authorities.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engages SWCS Corporate Services Group (Hong Kong) Limited to provide secretarial services and has appointed Ms. Ho Yin Kwan as the other joint company secretary to assist Ms. Ding Sujun to discharge her duties as one of the joint company secretaries of the Company. Ms. Ding Sujun is the primary contact person of the Company whom Ms. Ho Yin Kwan can contact.

Ms. Ding and Ms. Ho had confirmed that for the year ended 31 December 2023, they had taken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules. The biographies of Ms. Ding Sujun and Ms. Ho Yin Kwan is set out in the "Biographies of Directors and Senior Management" section on pages 21 to 22 of this annual report.

Accountability and Audit

The Directors acknowledge their responsibilities for preparing all information and representations contained in the consolidated financial statements of the Group for the year ended 31 December 2023, which give a true and fair view of the state of affairs of the Group and of the operating results and cash flow for the year. The Directors consider that the financial statements have been prepared in conformity with all applicable accounting standards and requirements and reflect amounts that are based on the best estimates, reasonable information and prudent judgment of the Board and the management.

The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements of the Group on a going concern basis.

The statements of the auditor of the Group about its reporting responsibility on the consolidated financial statements of the Group are set out in the Independent Auditor's Report on pages 100 to 105 of this annual report.

Corporate Governance Functions

The Board is responsible for performing the corporate governance functions set out in code provision A.2.1 of Part 2 of the CG Code:

– to develop and review the Company's policies and practices on corporate governance;

– to review and monitor the training and continuous professional development of Directors and senior management;

– to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

– to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

– to review the Company's compliance with CG Code and Corporate Governance Report.

The Board had performed the above duties during the year ended 31 December 2023.

Remuneration Payable to Members of Senior Management

Pursuant to code provision E.1.5 of Part 2 of the CG Code, the annual remuneration of members of the senior management (other than Directors) by band for the year ended 31 December 2023 is set out below:

	Number of members of senior management
Nil to RMB1,000,000	3
RMB1,000,001 to RMB1,500,000	–

Dividend Policy

In accordance with code provision F.1.1 of Part 2 of the CG Code, the Company adopted a dividend policy which aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration and payment of dividends to the Shareholders. The Board shall take into account, inter alia, the financial results, cash flow situation, business conditions and strategies, future operations and earnings, the Group's expected capital requirements, the statutory fund reserve requirements, the retained earnings and distributable reserves of the Company and any other factors that the Board deems appropriate.

Risk Management And Internal Control

The Board acknowledges its responsibilities for formulating and overseeing the implementation and effectiveness of the internal control and risk management systems, which are designed to ensure the 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. The internal control and risk management system covers all major aspects of the Group's operations, including, among others, financial reporting, operational risks, international sanction risks, ESG-related risks and regulatory risks. These systems are designed to manage, not eliminate, the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance that there will be no material misstatement or loss.

Risk management structure and procedure of the Group

The Group has various internal guidelines, written policies and procedures to monitor and alleviate the risks arising from its daily operations. The Group's risk management and internal control measures primarily include:

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

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

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

– holding meetings at least every six months by the Group's legal and compliance department to monitor its exposure to sanctions risks and to review our procedures implemented over sanctions screening;

– reviewing and approving all relevant business transaction documentation from customers, consignors or potential customers or potential consignors from regions subject to International Sanctions or Sanctioned Persons by the Group's legal and compliance department. The transactions that fail the internal review, regardless of whether it fails upon onboarding or during the course of transaction, will not proceed;

– reviewing the existing customers lists by the Group's Legal and Compliance Department semi-annually 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, the Group may seek advice from reputable external legal counsel with necessary expertise and experience in International Sanctions matters;

– reviewing internal control policies and procedures with respect to sanctions matters periodically by the Group's Legal and Compliance Department;

– engaging 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.

The Group has an internal audit and risk control function which primarily carries out analysis and independent appraisal of the adequacy and effectiveness of its risk management and internal control systems, and reports their findings to the Board on, at least, an annual basis. During the year ended 31 December 2023, the Board through its review and review made by the internal audit function, concluded that no material risk management and internal control aspects of any significant discrepancies were discovered during the review and was satisfied that the risk management and internal control systems were effective and adequate.

Dissemination of inside information

The Group has in place a framework for the disclosure of inside information by reference to the Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission. The framework sets out the procedures and internal controls for the handling and dissemination of inside information in an appropriate and timely manner, such as steps to ascertain sufficient details, conduct internal assessment of the matter and its likely impact on the Company, seek professional advice where required and verification of the facts. Before the information is fully disclosed to the public, any persons who possess the knowledge of such information must ensure strict confidentiality and must not deal in any of the Company's securities.

Auditor's Remuneration

For the year ended 31 December 2023, the remunerations paid or payable to Ernst and Young in respect of its audit services and non-audit services are approximately RMB1,650,000 and RMB210,000, respectively. The amount for 2023 non-audit services consisted mainly of tax-related service fee of RMB50,000 and environmental, social and governance related consultancy service fee of RMB160,000. The Audit Committee was satisfied that the non-audit services in 2023 did not affect the independence of the auditor.

Employee Diversity

The Group insists on the principle of fairness and voluntariness in recruitment, and does not impose any restrictive requirements on gender, ethnicity, nationality and religion. As at 31 December 2023, the gender ratio of the employees of the Group, including senior management, are set out below:

Indicator	Number of personnel	Percentage of total employees
Male employee	142	43.8%
Female employee	182	56.2%

Shareholders' Rights

Convening an extraordinary general meeting and putting forward proposals at Shareholder meetings

Pursuant to article 58 of the Articles of Association, any one or more member(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, on a one vote per share basis, shall at all times have the right, by written requisition to the Board or the secretaries of the Company, to require 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 two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting forward enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send their enquiries to the Company in writing to the principal place of business of the Company in Hong Kong, which is currently at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wan Chai, Hong Kong (For attention to the Company Secretary).

For avoidance of doubt, the Company will not normally deal with verbal or anonymous enquiries, and Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiries (as the case may be) to the principal place of business of the Company in Hong Kong and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Constitutional Documents

Since the Listing Date to 31 December 2023, there had been no change to the Company's constitutional documents. The Articles of Association is available on the Company's website and the Stock Exchange's website.

Shareholders' Communications

E-communication

To promote effective communication, the Company maintains a website www.lcang.com, where up-to-date information and updates on the Company's financial information, corporate governance practices, biographical information of the Board and other information are available for public access.

Shareholders Communication Policy

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and the Company has established various communication channels with Shareholders, including general meeting, annual results and interim results, annual and interim reports, announcements and circulars and performance conference.

To facilitate the communication between the Company and investors, the Company holds meetings, briefings and roadshows with investors and analysts from time to time. Shareholders may also make enquiries with the Company through other channels mentioned above, and provide comments and recommendations to the Directors or managements at any time. Upon receipt of written enquiries from a Shareholder, the Company will use reasonable endeavours to respond to the Shareholder as soon as possible. In addition, the Company updates its website from time to time to keep the Shareholders updated of the recent development of the Company. Having regard to the above, the Company considers the implementation of the Shareholders' communication policy during the year ended 31 December 2023 was effective.

Environmental, Social and Governance Report

Preface

About This Report

Report Description

This report is the Environmental, Social and Governance ("**ESG**") Report released to the public by LC Logistics, Inc. ("**LC Logistics**", "**we**", "**us**" or the "**Company**"), which comprehensively elaborates on the performance and management measures of the Company and its subsidiaries (the "**Group**") in the aspects of environment, social, and governance for the year of 2023, focusing on discussing matters of concern to stakeholders and relevant information.

Reporting Period

This report covers the period from 1 January 2023 to 31 December 2023 (the "**reporting period**"), while some information may fall beyond the reporting period.

Reporting Scope and Boundary

This report covers LC Logistics, Inc. and its subsidiaries, and the reporting scope is consistent with that of the annual report. Unless otherwise stated, all currencies in this report refer to RMB.

Data Description

All material and cases contained in this report were collected from the statistics reports and relevant documents of the Group. The Board of the Company promises that this report does not contain any false and misleading statement, and is responsible for the authenticity, accuracy and completeness of its contents.

Reference Standard

This report is prepared with reference to the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") in Appendix C2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Confirmation and Approval

This report was approved by the Board on 26 March 2024 upon confirmation by the management.

Statement of the Board

Responsibilities of the Board	The board of directors of LC Logistics directly oversees the implementation of ESG-related matters within the Group and assumes ultimate responsibility for ESG strategy and performance. They regularly discuss and review the Group's ESG risks, opportunities, performance, and progress. At the same time, the Board is responsible for formulating corresponding ESG strategies, targets, and management policies, and assessing whether the Group's ESG performance aligns with the ESG vision, methodologies, strategies, or initiatives established by the Board.
Daily Implementation	LC Logistics has established a two-tier ESG governance framework, consisting of the board of directors and the management. Firstly, the Board sets the overall ESG vision for the Group, while the General Manager oversees and controls the progress of the Group's implementation of ESG-related initiatives. Secondly, our management is responsible for monitoring environmental, social, and governance risks and driving the implementation of related initiatives, integrating sustainability elements into daily operations.
ESG Risk Management	The board of directors of LC Logistics is responsible for conducting materiality assessments on ESG-related risks and adjusting business development directions based on the identified climate change risks. They continuously monitor ESG-related risks and responsibilities within the Group. The Group's General Manager manages ESG-related risk issues during the corporate operation, and the Group's management executes high-level ESG decisions. Through multi-level collaboration, we made joint efforts to keep ESG-related risks under control.
Materiality Analysis	LC Logistics maintains close communication with internal and external stakeholders, actively identifies, assesses, discusses, and addresses significant ESG issues. It then formulates corresponding management strategies and oversees the management of these significant ESG issues.

1 Corporate Governance

LC Logistics actively constructs a transparent and robust governance framework, creating a diversified governance system and continuously exploring the path to sustainable development. We enhance our organizational management level through a compliance and integrity-based corporate governance philosophy, vigorously promote business ethic construction, continuously improve our risk management capabilities, and help drive sustainable development of the Company.

1.1 Corporate Management

LC Logistics strictly complies with the laws and regulations, including the Civil Code of the People's Republic of China, Maritime Law of the People's Republic of China, Company Law of the People's Republic of China, Foreign Trade Law of the People's Republic of China, as well as Appendix C1 Corporate Governance Code of the Listing Rules of the Stock Exchange, and other requirements from relevant regulatory authorities. We have established a scientifically structured governance framework where the departments have defined terms of reference and undertake their own responsibilities, to create a healthy corporate governance environment. This continuous effort aims to enhance the social and economic value of the Company.

In order to build a diversified management team, LC Logistics appoints members to the Board based on meritocracy. We fully consider the industry experience and technical expertise of each Board member, assessing candidates based on objective criteria. Additionally, to broaden the Board's decision-making perspective and introduce different ways of thinking and viewpoints, thereby making more comprehensive and forward-looking strategic decisions, we also value the impact of gender diversity on the Board. Among our seven Directors, two are female.

						Specialized Field	
Names of Directors	Positions	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management	Financial Management	Industry Experience
Mr. Xu Xin	Executive Director, chief executive officer, president, chairman of our Board		✓	✓	✓		✓
Ms. Li Yan	Executive Director and vice president				✓		✓
Ms. Zhu Jiali	Executive Director and chief financial officer					✓	✓
Mr. Yu Zhenrong	Executive Director				✓		
Dr. Gu Lin	Independent non-executive Director	✓	✓	✓	✓		
Mr. Du Haibo	Independent non-executive Director	✓				✓	
Mr. Qi Yinliang	Independent non-executive Director	✓	✓	✓	✓		

1.2 Business Ethics

LC Logistics has always believed that operating with integrity is the foundation of a company and an important part of achieving sustainable development. LC Logistics adheres to business ethics and requires every employee to uphold the bottom line, working together with employees to build a compliant, honest, and transparent business world.

1.2.1 Integrity Management

LC Logistics has been upholding the principle of integrity-based operation and strictly complies with laws and regulations such as the Anti-Money Laundering Law of the People's Republic of China. Currently, we have established an integrity management system and formulated policies such as the Shandong Lcang International Logistics Inc. Corp. Ltd Anti-Bribery Management System (《山東樂艙網國際物流股份有限公司反賄賂管理制度》), the Shandong Lcang International Logistics Inc. Corp. Ltd Anti-Corruption Management System (《山東樂艙網國際物流股份有限公司反貪污管理制度》), the Shandong Lcang International Logistics Inc. Corp. Ltd Reporting System for Interest Conflict (《山東樂艙網國際物流股份有限公司利益衝突申報制度》), and the Shandong Lcang International Logistics Inc. Corp. Ltd Employee Code of Ethics (《山東樂艙網國際物流股份有限公司員工職業道德守則》), as our management guidelines to ensure that the operations of the Company comply with commercial standards.

LC Logistics has been actively creating and promoting a culture of integrity. We actively carry out anti-corruption publicizing, implement anti-corruption policies, and vigorously promote the ideals of integrity. Simultaneously, we continue to conduct integrity reviews to ensure that LC Logistics operates efficiently with a fair and transparent image. During the reporting period, the Company did not face any corruption litigation cases.

Certain subsidiaries of LC Logistics are conducting integrity audits

The managements of the Group conduct anti-corruption education sessions during their meetings to ensure that the anti-corruption principles are ingrained in everyone's minds

Anti-Corruption Measures by LC Logistics

1.2.2 Whistleblowing Management

LC Logistics places a strong emphasis on fostering a culture of integrity. We have established the Shandong Lcang International Logistics Inc. Corp. Ltd Whistleblowing Policy (《山東樂艙網國際物流股份有限公司舉報制度》) and the Shandong Lcang International Logistics Inc. Corp. Ltd Collection, Handling and Feedback System for Employee Opinions (《山東樂艙網國際物流股份有限公司員工意見收集處理反饋制度》), which clarify the reporting channels, standardize reporting behavior, and define the handling procedures. As of the end of the reporting period, LC Logistics has not received any reports.

Whistleblower Email: vivien.wang@bal.cn

Whistleblowing Hotline: 17863979052

Whistleblowing Channels at LC Logistics

Reporting Registration	• Upon receiving a report, the Group's internal control department will document all reported matters in the Register of Reported Matters (《舉報事宜登記表》).
Preparation for Investigation	• The Group's internal control department will report the received matters to the Board, discuss, and decide on appropriate investigation methods.
Investigation Process	• The Group will initiate a confidential investigation at the earliest opportunity, promptly review the reported matters, gather key data, authenticate evidence, conduct the investigation objectively and fairly, and draw conclusions based on the investigation results.
Feedback on Results	• After the investigation is completed, the Group's internal control department will submit an investigation report and improvement suggestions to the Board, and provide feedback on the investigation results to the parties involved.

Whistleblowing Handling Mechanism of LC Logistics

LC Logistics fully supports employees in reporting any violations they believe to be true. We have established the Whistleblower Protection Measures (《吹哨人保護舉措》) to protect the legitimate rights and personal safety of whistleblowers, preventing them from unfair dismissal, persecution, or disciplinary action. We also handle all reports carefully and confidentially, and will not disclose the whistleblower's identity without their consent.

1.3 Risk Management

LC Logistics has established a risk management system aimed at risk control. We have established a comprehensive risk management system with reference to our risk management framework. The Group has formulated the Risk Management System of Shandong Lcang International Logistics Inc. Corp. Ltd《山東樂艙網國際物流股份有限公司風險管理制度》and other systems as the basis for risk identification and management, and continues to improve the risk management system of members of the Group.

General Manager and Top Management	• to be responsible for identifying risks, opportunities, and their control measures at the Company level.
Department Heads	• to be responsible for identifying the risks, opportunities faced by the respective department, and their control measures.

Risk Management Responsibilities at All Levels in LC Logistics

To reduce the risk of intellectual property infringement and being infringed upon, we place a high emphasis on intellectual property protection. We require all employees to strictly adhere to confidentiality obligations related to intellectual property. Meanwhile, we emphasize that employees should not infringe upon the intellectual property rights of others. As of the end of the reporting period, LC Logistics holds 55 software copyrights, with 5 new software copyrights added.

2 ESG Governance

LC Logistics is committed to promoting the long-term and sustainable development of its business, creating long-term value for all stakeholders. The Group has established a standardized, transparent ESG governance structure and management system to oversee the Company's ESG performance.

2.1 ESG Governance Structure

LC Logistics has established and will continue to improve its ESG management structure, promoting the full integration of ESG management into its governance system. The Company has developed the Shandong Lcang International Logistics Inc. Corp. Ltd Environmental, Social, and Governance (ESG) System 《山東樂艙網國際物流股份有限公司環境、社會及管制(ESG)制度》 as the basis for its ESG governance structure. The Board is the decision-making body for ESG governance work, with main responsibilities including establishing the overall ESG-related vision and assessing ESG performance of the Company.

The Group has incorporated climate-related risk management into its overall ESG management framework and key issue framework, advancing the implementation of climate-related risk management across all departments and business units. It further quantifies the financial impact of climate change on the operations of the Company and manages the risk on the whole based on an integrated risk management framework.

The Board	• to establish the overall vision, approach, strategy, and initiatives for ESG; • to assess whether the Group's ESG performance aligns with the ESG vision, approach, strategy, or initiatives set by the Board; • to regularly review the overall ESG performance of the Group, etc.
The Management	• to monitor and manage key ESG issues and ESG-related risks within the Group; • to develop ESG KPIs and monitor their implementation.

ESG Governance Structure and Responsibilities of LC Logistics

2.2 Communication with Stakeholders

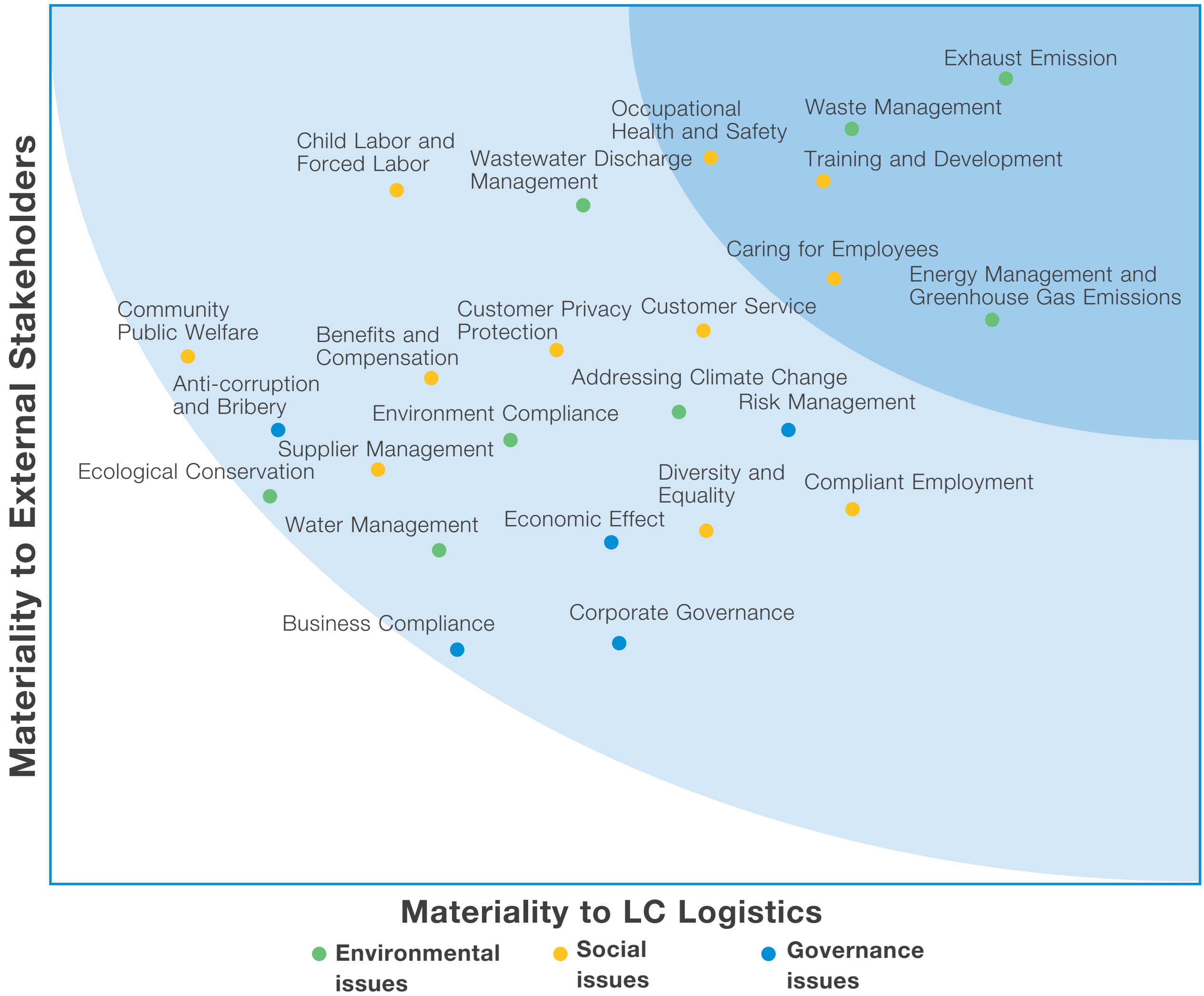
LC Logistics values communication with stakeholders and has established efficient, fast, and diverse communication channels. We identify various stakeholders through our own business operations and maintain good communication with them through multiple channels to ensure compliant, truthful, accurate, and complete information disclosure, thus continuously safeguarding the legitimate rights and interests of all stakeholders.

Stakeholders	Issues of Concern	Communication Channels
Investors	• Anti-corruption and Bribery • Risk Management • Economic Effect • Corporate Governance • Business Compliance • Addressing Climate Change	• General Meeting • Press Releases and Announcements • Disclosed Reports • News Published on the Company's Website
Employees	• Diversity and Equality • Compliant Employment • Training and Development • Child Labor and Forced Labor • Caring for Employees • Benefits and Compensation • Occupational Health and Safety	• Channels for Complaints • Special Topic Training
Government	• Business Compliance • Environmental Compliance • Energy Management and Greenhouse Gas Emissions • Waste Management	• Regulatory Oversight and Inspection
Community	• Community Public Welfare	• Company's Website • Email and Telephone Communications

2.3 Materiality Assessment

LC Logistics, guided by documents such as the ESG Reporting Guide of the Stock Exchange, has initiated a process for identifying the material issues, and has conducted research on them with the participation of internal and external stakeholders. The Company has identified six highly material issues and 18 moderately material issues. Material issues reviewed and confirmed by the Board will be prominently disclosed and addressed in this report, thus better responding to stakeholder demands. The material ESG issues for LC Logistics are as follows:

Materiality	Name of the Issues
Highly Material Issues	Exhaust Emission Waste Management Energy Management and Greenhouse Gas Emissions Training and Development Occupational Health and Safety Caring for Employees
Moderately Material Issues	Wastewater Discharge Management Customer Service Risk Management Customer Privacy Protection Addressing Climate Change Economic Effect Corporate Governance Business Compliance Ecological Conservation Benefits and Compensation Supplier Management Community Public Welfare Child Labor and Forced Labor Diversity and Equality Anti-corruption and Bribery Compliant Employment Water Management Environmental Compliance



Matrix of Material Issues of LC Logistics

3 Low-carbon Development

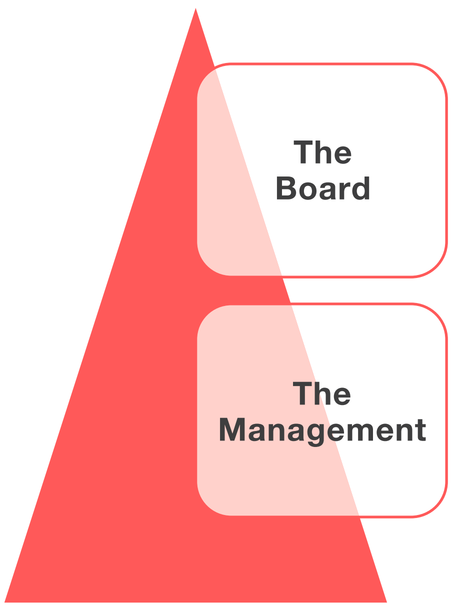
Being committed to playing a leading role in the field of low-carbon logistics, LC Logistics actively addresses climate and environmental challenges by integrating energy conservation, emission reduction, and environmental protection into every aspect of our operations. This approach aims to achieve the common development of environmental protection and economic benefits, injecting new impetus into the green development of the global logistics industry.

3.1 Addressing Climate Change

Environmental problems have been mounting in the 21st century, such as global warming, extreme weather and energy shortages. LC Logistics has been monitoring the potential impacts of climate change on our business activities and operations. It takes proactive measures and fully supports global climate action.

3.1.1 Governance

We integrate climate-related issues into our overall ESG governance framework, and have established a governance framework led by the Board and the management, in order to address climate change. This framework provides robust support for the Company's management of climate change-related risks and opportunities.



To directly oversee the implementation of the Group's ESG and climate-related matters, including the progress of climate risk and opportunity assessments, to identify material risk and opportunity issues for the Group.

To develop key performance indicators and monitor their implementation, make improvements when necessary, and regularly report to the Board in this regard.

LC Logistics' Governance Framework to Address Climate Change

3.1.2 Strategy

In 2023, LC Logistics conducted identification and assessment of climate change risk issues. Corresponding measures were taken to address identified risks and integrated into daily operational processes to continuously enhance the Company's resilience to climate change risks. We classify climate change risks into physical risks and transition risks. Based on whether the risks have already had actual impacts on business and the timeframe of their impact on business, we define climate risks as short-term, medium-term, and long-term.

Risk Category	Risk Name	Risk Description	Financial Impact	Impact Period
Physical risks	Rising sea level	Rising sea levels lead to the relocation of infrastructure and operations from coastal areas to inland regions	Increase in operating costs	Long-term
	Extreme weather	1. Delivery in extreme weather reduces work efficiency and poses risks to health and safety		Short-term
		2. Climate change increases the risk of infectious diseases and the amount of air pollutants, affecting employees' health and safety	Increase in expenditures on allowances, and healthcare, etc.	
		3. Extreme weather severely affects transportation route planning and efficiency, potentially reducing business volume	Decrease in revenue	
		4. Climate change leads to an increase in extreme weather events and natural disasters, causing damage to the stability of buildings such as warehouses and industrial parks and their operations, resulting in increased maintenance costs	Increase in maintenance expenses	

Risk Category	Risk Name	Risk Description	Financial Impact	Impact Period
Transition risks	Policy risk	Countries and regions may implement stricter climate-related policies, such as implementing carbon pricing mechanisms and requiring a higher proportion of renewable energy	Increase in operating costs	Medium-term
	Legal risk	Legal requirements related to green supply chains are becoming stricter to address climate change	Increase in operating costs	Medium-term
	Reputation risk	Public attitudes and consumption preferences are changing, with a greater emphasis on the low-carbon attributes of goods and services. Failure to adopt green logistics may lead to the risk of losing customers	Decrease in revenue	Medium-term
	Technology risk	The new infrastructure will fully play a role in the intelligent upgrading and transformation of the industry as well as the emission reduction effect of green-factor synergy. However, failure to have industry insights and invest in research and development in certain key areas of new infrastructure in a timely manner may result in losing advantages in the green transformation wave, thereby affecting revenue. The application of new infrastructure also requires the assessment of corresponding risks	Increase in investment in research and development	Long-term

When addressing the risks and challenges posed by climate change, we actively identify the opportunities it presents. Our aim is to transform challenges into new drivers for business development. We recognize that the ongoing global climate change is both a test and an opportunity for transformation. Therefore, we are committed to identifying and analyzing climate change, accurately grasping the opportunities it brings, and continuously optimizing our operational strategies and upgrading our strategic layout to seize the market opportunities for green development.

Opportunity Category	Opportunity Name	Opportunity Description
Energy usage category	Using methanol fuel	By fully implementing methanol fuel across all fleets and adopting renewable energy sources other than traditional fossil fuels, carbon dioxide emissions are significantly reduced, attracting more customers through low-carbon logistics attributes
Energy usage efficiency	Using more energy-efficient transportation modes	We continuously improve energy efficiency to meet requirements of energy efficiency management such as IMO and EEDI, leading to less fuel consumption, which in turn reduces operating costs

3.1.3 Climate Change Risk Management

LC Logistics has incorporated climate change-related risk management into our overall ESG management framework and key issue management. We continuously monitor the implementation of climate-related risk management by departments and business units, continuously quantify the actual impact of climate change on operations, governance, and finance. Based on an integrated risk management framework, we have established a regular reporting mechanism for climate change-related risks to ensure effective management of these risks.

In response to physical climate risks caused by extreme weather and natural disasters, LC Logistics has developed the Risk Management System (《風險管理制度》), covering the full process of risk management including risk identification, risk assessment, risk countermeasure, and risk updating, to comprehensively ensure the safety of personnel, vessels, and cargo.

Risk identification

The management representative prepares the Risk and Opportunity Assessment Analysis Table (《風險與機遇評估分析表》) on the basis of risks and opportunities identified by various departments.

Risk assessment

The management assesses the degree of risk for different risk points through risk analysis methods based on past situations, personal experiences, and objective conditions.

Risk countermeasure

Measures should be established to control those events and business activities that are identified as material risks in the assessment, and expert guidance may be sought if necessary.

Risk updating

All departments are required to promptly identify and assess risks and opportunities associated with its new activities, projects or products, and update the Risk and Opportunity Assessment Analysis Table accordingly.

Full-process Climate Change Risk Management

LC Logistics has formulated the Vessel Emergency Manual (《船舶應急手冊》) as a crucial aspect of adapting to climate change-related risks to ensure that we would be able to execute the sound process to cope with crisis in the event of major incidents, including extreme weather events. To protect our operations against physical climate risks, we closely monitor climate change and put protective equipment and emergency devices into place for proactive response. Additionally, we conduct emergency drills annually to ensure the effectiveness of our emergency mechanisms. In 2023, the Company did not experience any safety incidents caused by extreme weather.

In addition to the adaptation of the evolving climate risks, we actively incorporates various mitigation plans into our climate change response strategy. We improve energy management systems to avoid and reduce greenhouse gas emissions and integrate energy-saving and emission reduction measures into design and operational processes. Furthermore, we embed the low-carbon and green concept into our products and services so as to leverage our technological advantages to reduce greenhouse gas emissions through green shipping and other means.

3.1.4 Indicators and Goals

We are moving towards the short-term, medium-term, and long-term goals set by the International Maritime Organization ("**IMO**"). Each year, we regularly measure and disclose the carbon emissions from the Company's operations and assess our environmental performance for that year to minimize our negative impact on the environment. The energy consumption and carbon emission goals we have set are as follows:

	2030 Goal	2040 Goal	2050 Goal
Fuel consumption (income) per unit revenue (tonnes of fuel/million RMB)	Reduction by 20% as compared to the 2022 level	Reduction by 40% as compared to the 2022 level	Substitution of 90% fuels
Greenhouse gas emission intensity (tCO_2e/million RMB)	Reduction by 20% as compared to the 2022 level	Reduction by 40% as compared to the 2022 level	Achieve carbon neutrality
Scope 1 emission intensity (tCO_2e/million RMB)	Reduction by 20% as compared to the 2022 level	Reduction by 40% as compared to the 2022 level	Achieve carbon neutrality

During the reporting period, the greenhouse gas emissions and energy consumption indicators for LC Logistics are as follows:

Indicator	Indicator	Unit	Data for 2023
Energy	Gasoline consumed by own vehicles	liter	25,498.54
	Diesel consumed by own vehicles	liter	45,148.54
	Total consumption of low sulfur fuel oil[1]	ton	265.68
	Purchased electricity	kWh	311,851.31
	Comprehensive energy consumption[2]	kWh	4,071,041.20
	Comprehensive energy consumption per unit revenue	kWh/RMB10,000	2.52

Indicator	Indicator	Unit	Data for 2023
GHG emissions[3]	Scope 1 GHG emissions	tCO_2e	985.08
	Scope 2 GHG emissions	tCO_2e	177.85
	Total GHG emissions	tCO_2e	1,162.93
	GHG emissions per unit revenue	tCO_2e/RMB10,000	0.0094

3.2 Environmental Management and Emission Control

LC Logistics pays close attention to the environmental impact of our operations. We are committed to improving our environmental management system, conserving natural resources, and implementing effective waste management and pollutant control measures within the framework of compliance with regulations, to minimize the negative impact of our operations on the environment.

1 The total consumption of low sulfur fuel oil is based on the vessels owned and operated by the Company.

2 Comprehensive energy consumption comprises direct energy consumption and indirect energy consumption. Direct energy consumption includes the consumption of gasoline, diesel, and low sulfur fuel oil for owned vehicles, while indirect energy consumption includes purchased electricity. Comprehensive energy consumption is calculated on the basis of the General Rules for Calculation of the Comprehensive Energy Consumption《綜合能耗計算通則》(GB/T 2589-2020) issued by the State Administration for Market Regulation in 2020.

3 Scope 1 GHG emissions are derived from the consumption of gasoline, diesel, and low sulfur fuel oil. Scope 2 GHG emissions are derived from the consumption of purchased electricity. In 2023, the emission factor for electricity is based on the national grid emission factor for 2022, which is 0.5703 tCO_2/MWh, as specified in the Guide for Accounting Methods and Reporting of Greenhouse Gas Emissions of Enterprises in Other Industries (Trial)《工業其他行業企業溫室氣體排放核算方法與報告指南(試行)》 published by the National Development and Reform Commission of the People's Republic of China.

3.2.1 *Environmental Management*

LC Logistics strictly adheres to domestic and international laws, regulations, and conventions for the relevant industries such as the Marine Environmental Protection Law of the People's Republic of China (《中華人民共和國海洋環境保護法》), the Regulation on the Prevention and Control of Vessel-induced Pollution to the Marine Environment (《防治船舶污染海洋環境管理條例》), and the International Convention for the Prevention of Pollution from Ships (《國際防止船舶造成污染公約》) (hereinafter referred to as "**MARPOL Anti-pollution Convention**"). We have formulated the Safety, Health, and Environmental Protection Policy (《安全、健康和環境保護方針》), which outlines the Company's goals and policies in environmental protection, providing guiding principles for environmental management.

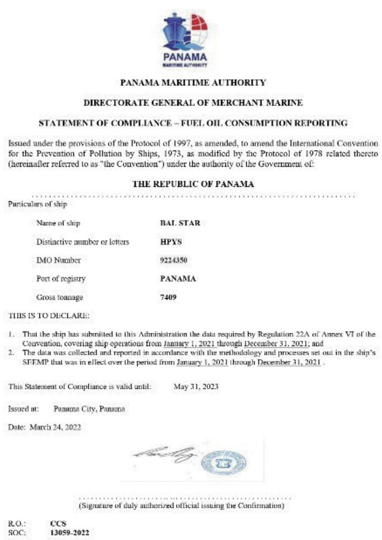
To reduce our environmental impact, LC Logistics is dedicated to establishing a comprehensive environmental management system, continuously raising environmental awareness of all employees, and enhancing our capacity to respond to environmental challenges. We keep an eye on our environmental performance by setting environmental objectives and indicators.

Environmental Management Goals

- Pollution incident rate below 5%
- Improve and upgrade pollutant treatment equipment and emission management measures for all operational vessels
- Reduce fuel consumption and gaseous pollutants at the source, and improve the transportation energy efficiency
- Operate and manage electrical equipment in our office in an environment-friendly way, and continuously reduce water consumption

Green Shipping

The fuel efficiency has a direct bearing on the carbon emissions of shipping operations. Capitalizing on advanced technologies such as digital shipping, LC Logistics implements fuel usage monitoring, and promotes various energy-saving measures in order to utilize fuels efficiently. During the reporting period, all vessels under management of LC Logistics have met seaworthiness requirements, complied with the energy efficiency regulations outlined in the MARPOL Anti-pollution Convention, and they have been issued relevant certificates.



PANAMA MARITIME AUTHORITY

DIRECTORATE GENERAL OF MERCHANT MARINE

STATEMENT OF COMPLIANCE – FUEL OIL CONSUMPTION REPORTING

Issued under the provisions of the Protocol of 1997, as amended, to amend the International Convention for the Prevention of Pollution by Ships, 1973, as modified by the Protocol of 1978 related thereto (hereinafter referred to as "the Convention") under the authority of the Government of:

THE REPUBLIC OF PANAMA

Particulars of ship

Name of ship	BAL STAR
Distinctive number or letters	HPYS
IMO Number	9224350
Port of registry	PANAMA
Gross tonnage	7409

THIS IS TO DECLARE:

1. That the ship has submitted to this Administration the data required by Regulation 22A of Annex VI of the Convention, covering ship operations from January 1, 2021 through December 31, 2021; and
2. The data was collected and reported in accordance with the methodology and processes set out in the ship's SEEMP that was in effect over the period from January 1, 2021 through December 31, 2021 .

This Statement of Compliance is valid until: May 31, 2023

Issued at: Panama City, Panama

Date: March 24, 2022

(Signature of duly authorized official issuing the Confirmation)

R.O.: CCS
SOC: 13059-2022

REISSUED

Certificate No : BSN-IEE-0203-23

INTERNATIONAL ENERGY EFFICIENCY(IEE) CERTIFICATE

THE REPUBLIC OF PANAMA

Issued under the provisions of the Protocol of 1997, as amended to amend the International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocol of 1978 related thereto(hereinafter referred to as "the Convention") under the authority of the Government of **THE REPUBLIC OF PANAMA** by Korean Register.

Particulars of ship

Name of Ship	BAL STAR
Distinctive Number or Letters	HPYS
Port of Registry	PANAMA
Gross Tonnage	7,409
IMO Number	9224350

This is to Certify

1. That the ship has been surveyed in accordance with Regulation 5.4 of Annex VI to the Convention; and
2. That the survey shows that the ship complies with the applicable requirements in regulations 22, 23, 24, 25 and 26.

Completion date of the survey on which this certificate is based : **17 June 2013**

Issued at **Busan** on **19 September 2023**

KOREAN REGISTER

Surveyor (KIM Seongwoon)

This certificate is issued in an electronic format in accordance with IMO FAL.5/Circ.39/Rev.2. Validation and authentication of the certificate can be confirmed from "http://e-cert.krs.co.kr" by using the tracking No(CN23017729125) and certificate No.(BSN-IEE-0203-23).

IEE 1/4 (2022.11)

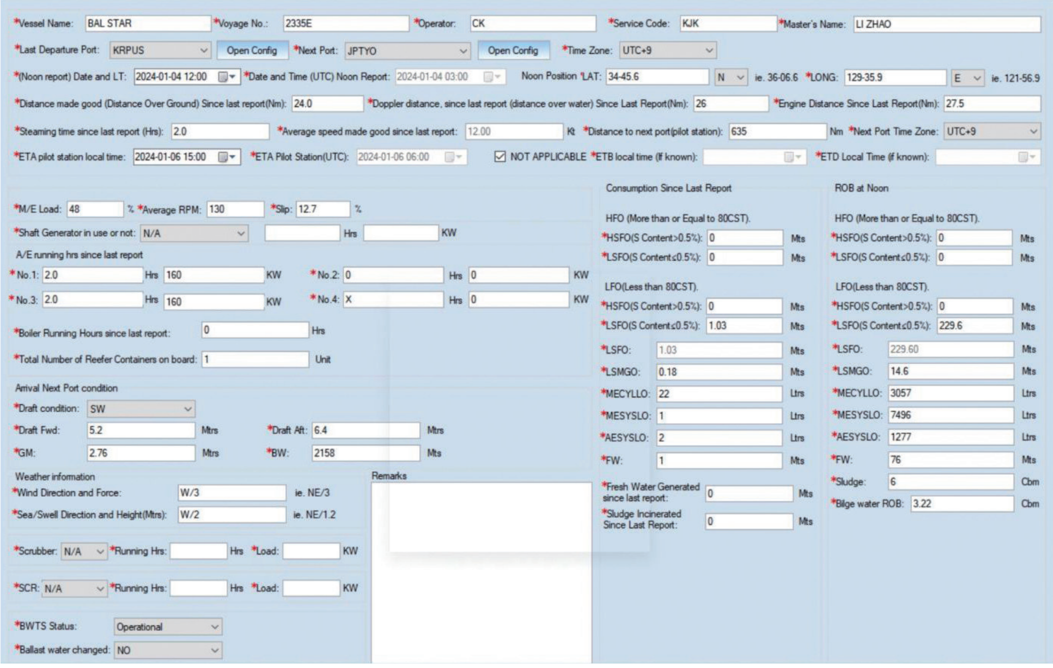
KOREAN REGISTER

Vessel Energy Efficiency Certificate (Examples)

LC Logistics strictly implements national energy-saving and emission reduction requirements by formulating relevant energy management system for all vessel management departments and providing real-time monitoring systems to standardize energy management practices.

VRC (Vessel Real-time Control) System

Through the VRC system report, the Company monitors parameters such as the speed of a vessel, weather conditions, engine speed, engine power, fuel consumption, and the generation of waste oil and sewage. This enables the monitoring of energy consumption of vessels and comprehensive assessment of vessel equipment to ensure they are in good working condition, thus striking a balance between energy efficiency and performance.



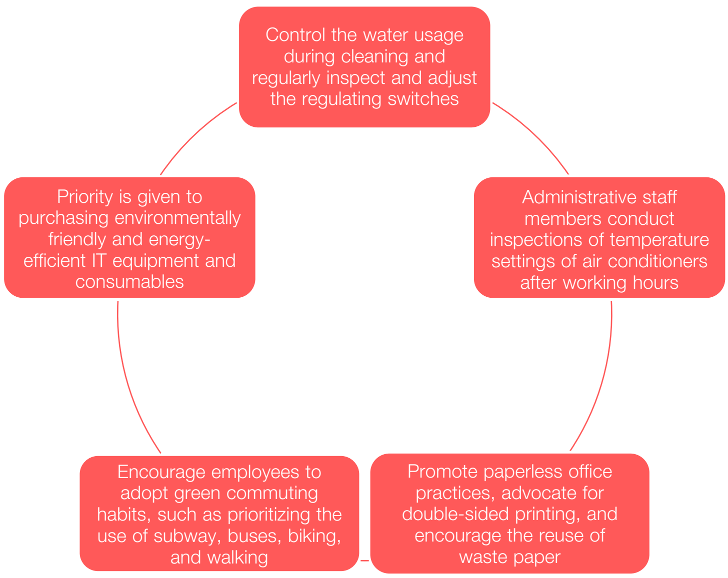
In addition, to save energy and reduce fuel consumption, LC Logistics uses resistance-reducing coatings on vessels to minimize unnecessary energy loss. We also strictly follow the maintenance systems to ensure proper maintenance of all equipment so that all vessels are in the optimal operational condition, thus reducing energy consumption.

Monthly vessel reports should be submitted to the Company, detailing fuel consumption and sailing distances in order to further analyze fuel efficiency	**Vessels must be painted with resistance-reducing coatings below the waterline when docking**	**Clean the hull as needed to remove marine fouling and reduce drag while sailing**

Measures to Reduce Energy Consumption

Green Office

We operate shipping in a green and low-carbon manner. Besides, LC Logistics is also committed to creating a green office environment, and advocates routine savings, energy conservation, and green commuting among employees so as to integrate the concept of sustainable development into daily work. The Company has established a dedicated chapter in the Employee Handbook《員工手冊》to elaborate on green office practices and energy-saving measures, and incorporates relevant green office performance into daily performance evaluations. Furthermore, the Company has formulated the Management Measures of LC Group for Office Supplies and Low-value Consumables《樂艙集團辦公用品及低值易耗品管理辦法》to further regulate employees' green office behavior. In 2023, the Company provided multiple green environmental protection training sessions for new and existing employees, with a total of 104 attendances and a total training duration of 78 hours.



Green Office Initiatives

3.2.2 Exhaust Emission Management

LC Logistics strictly adheres to the laws and regulations of the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution 《中華人民共和國大氣污染防治法》, the Implementation Plan for Emission Control Areas for Ship Atmospheric Pollutants 《船舶大氣污染物排放控制區實施方案》, and the Provisions of Annex of the MARPOL Anti-pollution Convention regarding the sulfur content of ship fuels not exceeding 0.5% m/m from 2020 onwards. As of the end of the reporting period, all of our vessels were powered by low-sulfur fuel to reduce air pollution caused by sulfur oxides. Additionally, all vessels under management of LC Logistics meet seaworthiness requirements, comply with the atmospheric pollution control requirements outlined in the MARPOL Anti-pollution Convention, and have been issued the necessary certificates for atmospheric pollution prevention and control.

REISSUED

Certificate No : HCM-IAPP-0028-21

INTERNATIONAL AIR POLLUTION PREVENTION CERTIFICATE

THE REPUBLIC OF PANAMA

Issued under the provisions of the Protocol of 1997, as amended to amend the International Convention for the Prevention of Pollution from ships, 1973, as modified by the Protocol of 1978 related thereto (hereinafter referred to as "the Convention") under the authority of the Government of **THE REPUBLIC OF PANAMA** by Korean Register.

Particulars of ship

Name of Ship	**BAL STAR**
Distinctive Number or Letters	**HPYS**
Port of Registry	**PANAMA**
Gross Tonnage	**7,409.00**
IMO Number	**9224350**

This is to Certify

1. That the ship has been surveyed in accordance with Regulation 5 of Annex VI of the Convention; and
2. That the survey shows that the equipment, systems, fittings, arrangements and materials fully comply with the applicable requirements of Annex VI of the Convention.

Completion date of the survey on which this certificate is based : **09 September 2020**

This certificate is valid until **25 September 2025**[1] subject to surveys in accordance with regulation 5 of Annex VI of the Convention.

Issued at **Hochiminh** on **25 December 2021**

KOREAN REGISTER

Surveyor (CHO Yongman)

[1] Insert the date of expiry as specified by the Administration in accordance with regulation 9.1 of Annex VI of the Convention. The day and the month of this date correspond to the anniversary date as defined in regulation 2.3 of Annex VI of the Convention, unless amended in accordance with regulation 9.8 of Annex VI of the Convention.

This certificate is issued in an electronic format in accordance with IMO FAL.5/Circ.39/Rev.2. Validation and authentication of the certificate can be confirmed from "http://e-cert.krs.co.kr" by using the tracking No(CN21034799099) and certificate No.(HCM-IAPP-0028-21).

IAPP 1/8 (2021.01)

KOREAN REGISTER

International Air Pollution Prevention Certificate (Example)

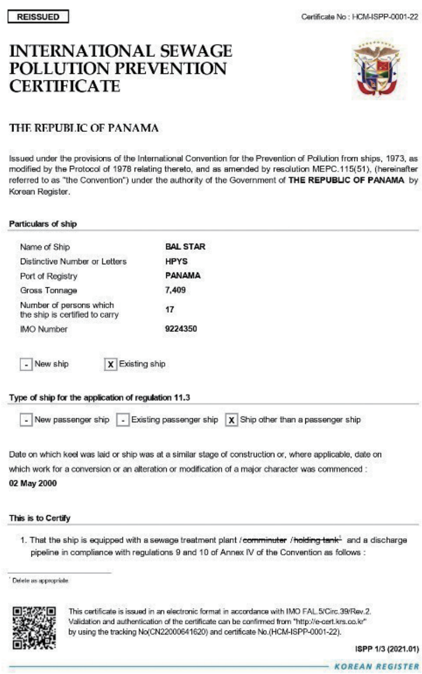
During the reporting period, the exhaust emissions[4] of LC Logistics are as follows:

Indicator	Indicator	Unit	Data for 2023
Exhaust emissions	NOx emissions	ton	20.86
	SOx emissions	ton	1.28
	Particulate matter (PM) emissions	ton	1.86

4 The exhaust emissions are calculated mainly based on the vessels owned and operated by the Company.

3.2.3 Water and Sewage Management

LC Logistics strictly adheres to the Laws of the Water Pollution Prevention and Control Law of the People's Republic of China 《中華人民共和國水污染防治法》, the Marine Environmental Protection Law of the People's Republic of China 《中華人民共和國海洋環境保護法》, the Regulation on the Prevention and Control of Vessel-induced Pollution to the Marine Environment 《防止船舶污染海洋環境管理條例》, and the Effluent standard for pollutants from ship 《船舶污染物排放標準》. We have established and implemented strict procedures for the treatment of oily wastewater and other wastewater to mitigate the environmental impact of sewage. As of the end of the reporting period, all vessels under management of LC Logistics have met seaworthiness requirements, comply with the sewage control requirements outlined in the MARPOL Anti-pollution Convention, and have been issued the necessary certificates for the prevention and control of water pollution and oil spillage.



REISSUED

Certificate No : HCM-ISPP-0001-22

INTERNATIONAL SEWAGE POLLUTION PREVENTION CERTIFICATE

THE REPUBLIC OF PANAMA

Issued under the provisions of the International Convention for the Prevention of Pollution from ships, 1973, as modified by the Protocol of 1978 relating thereto, and as amended by resolution MEPC.115(51), (hereinafter referred to as "the Convention") under the authority of the Government of **THE REPUBLIC OF PANAMA** by Korean Register.

Particulars of ship

Name of Ship	**BAL STAR**
Distinctive Number or Letters	**HPYS**
Port of Registry	**PANAMA**
Gross Tonnage	**7,409**
Number of persons which the ship is certified to carry	**17**
IMO Number	**9224350**

[-] New ship [X] Existing ship

Type of ship for the application of regulation 11.3

[-] New passenger ship [-] Existing passenger ship [X] Ship other than a passenger ship

Date on which keel was laid or ship was at a similar stage of construction or, where applicable, date on which work for a conversion or an alteration or modification of a major character was commenced :
02 May 2000

This is to Certify

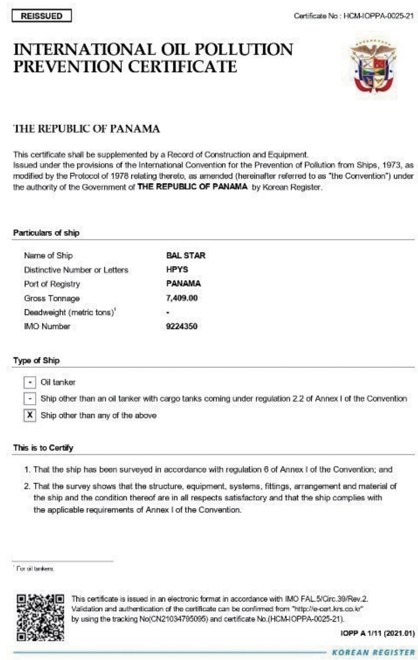
1. That the ship is equipped with a sewage treatment plant / ~~comminuter~~ / ~~holding tank~~[1] and a discharge pipeline in compliance with regulations 9 and 10 of Annex IV of the Convention as follows :

[1] Delete as appropriate

This certificate is issued in an electronic format in accordance with IMO FAL.5/Circ.39/Rev.2.
Validation and authentication of the certificate can be confirmed from "http://e-cert.krs.co.kr" by using the tracking No(CN22000641620) and certificate No.(HCM-ISPP-0001-22).

ISPP 1/3 (2021.01)

KOREAN REGISTER



REISSUED

Certificate No : HCM-IOPPA-0025-21

INTERNATIONAL OIL POLLUTION PREVENTION CERTIFICATE

THE REPUBLIC OF PANAMA

This certificate shall be supplemented by a Record of Construction and Equipment.
Issued under the provisions of the International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto, as amended (hereinafter referred to as "the Convention") under the authority of the Government of **THE REPUBLIC OF PANAMA** by Korean Register.

Particulars of ship

Name of Ship	**BAL STAR**
Distinctive Number or Letters	**HPYS**
Port of Registry	**PANAMA**
Gross Tonnage	**7,409.00**
Deadweight (metric tons)[1]	-
IMO Number	**9224350**

Type of Ship

[-] Oil tanker
[-] Ship other than an oil tanker with cargo tanks coming under regulation 2.2 of Annex I of the Convention
[X] Ship other than any of the above

This is to Certify

1. That the ship has been surveyed in accordance with regulation 6 of Annex I of the Convention; and
2. That the survey shows that the structure, equipment, systems, fittings, arrangement and material of the ship and the condition thereof are in all respects satisfactory and that the ship complies with the applicable requirements of Annex I of the Convention.

[1] For oil tankers.

This certificate is issued in an electronic format in accordance with IMO FAL.5/Circ.39/Rev.2.
Validation and authentication of the certificate can be confirmed from "http://e-cert.krs.co.kr" by using the tracking No(CN21034795095) and certificate No.(HCM-IOPPA-0025-21).

IOPP A 1/11 (2021.01)

KOREAN REGISTER

International Water Pollution Prevention and Control Certificate (Example)

Oily Wastewater Management

Shipborne oily wastewater can form oil slicks on the surface of water, hindering the growth of aquatic organisms and consequentially imposing significant impacts on the marine ecological environment. LC Logistics attaches great importance to the compliant management of oily wastewater, and controls and minimizes the impacts of accidental oil spills. During the reporting period, there were no incidents of accidental oil discharge in LC Logistics' fleet.

Oily wastewater treatment measures	LC Logistics has developed the Vessel Emergency Manual 《船舶應急手冊》, which provides detailed emergency measures for oil spill accidents. This includes emergency measures for both accidental and operational oil spills, considerations for actions to be taken, and procedures for reporting relevant incidents to the Company. The manual covers the entire process from immediate response to subsequent actions. During navigation, vessels use 15ppm oil-water separators for purification before discharging the water overboard.
	LC Logistics ensures that all vessels are equipped with a tailored Shipboard Oil Pollution Emergency Plan 《船舶油污應急計劃》, which provides detailed instructions for reporting requirements, emission control measures, national and regional cooperation, contact lists, oil spill response equipment lists, and relevant diagrams.
	LC Logistics has signed agreements with third-party service providers. The purpose of these agreements is to ensure that in the event of an oil spill at a port, the service provider could promptly and effectively implement oil pollution control measures and provide oil spill collection services.

Sewage

To effectively manage sewage, we install sewage storage tanks on vessels, cut off the discharge valves to avoid direct discharge into the sea, and ensure that all sewage generated must be treated through specialized sewage treatment facilities. Any sewage, if being discharged, must be discharged at the speed specified in the discharge rate table, and discharged into the sea from vessels proceeding at a distance not less than 12 nautical miles.

Water Resources Management

LC Logistics attaches great importance to the efficient use of water. We equip all vessels with watermakers, which can store desalinated distilled water in fresh water tanks for daily life, kitchen, engine room, and other uses. In addition, the Company requires all crew members to promptly deal with any leakage of oil, water, or gas discovered during patrol shifts to reduce freshwater wastage.

During the reporting period, LC Logistics' water consumption[5] and wastewater discharge are as follows:

Indicator	Indicator	Unit	Data for 2023
Water	Water intake volume	ton	922.88
	including: Fresh water intake volume	ton	712.28
	including: Seawater desalination capacity	ton	210.60
	Water intake volume per unit revenue	ton/RMB10,000	0.0075
	Sewage discharge volume	ton	498.34
	Sewage discharge volume per unit revenue	ton/RMB10,000	0.004
	Water consumption volume	ton	424.54
	Water consumption volume per unit revenue	ton/RMB10,000	0.0034

3.2.4 Waste Management

LC Logistics strictly complies with the relevant laws and regulations such as the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste 《中華人民共和國固體廢物污染防治法》, as well as the MARPOL Anti-pollution Convention, and is committed to exploring the development model of the circular economy. We continuously enhance our waste management capabilities and avoid pollution incidents involving vessel-generated waste.

According to Regulations 4, 5.6, and 14 of Annex V of the MARPOL Anti-pollution Convention, as well as Chapter 5 Overview of Restrictions on Discharges of Garbage into the Sea of Part II-A of the International Code for Ships Operating in Polar Waters (Polar Code) 《國際極地水域運作船舶規則》, we have formulated a Garbage Notice to strictly classify, process, store, incinerate, and dispose of waste in compliance with the relevant regulations.

General waste	Hazardous waste
• Domestic waste: On-board efforts are made to minimize the generation of various types of garbage. Domestic waste is shredded or ground up and discharged as far away from land as possible. • All other garbage, including plastics, nylon ropes, fishing gear, plastic garbage bags, and other waste materials, is strictly prohibited from being discharged into the sea.	• All waste oil from vessels is transported for treatment ashore. • Anti-fouling paint used on the hull is free of cybutryne and tin, thus reducing the generation of hazardous waste.

Waste Management Measures

5 The water consumption of LC Logistics includes vessel water and domestic water.

During the reporting period, the waste discharge of LC Logistics is as follows:

Indicator	Indicator	Unit	Data for 2023
Waste discharge	Total non-hazardous waste generation	ton	11.62
	Total hazardous waste generation	ton	2.00
	Total waste generation	ton	13.62
	Non-hazardous waste discharge per unit revenue	kg/RMB10,000	0.094
	Hazardous waste discharge per unit revenue	kg/RMB10,000	0.016

4 Robust Operations

Robust operation of vessels is crucial for ensuring both maritime safety and economic benefit. By strictly adhering to navigation rules, regularly maintaining vessel equipment, enhancing the professional skills of crew members, and strengthening risk management, we ensure that vessels navigate steadily through various sea conditions. This effectively contributes to a thriving maritime trade, laying a solid foundation for the sustained growth of the ocean economy.

4.1 Maritime Safety

Safe and robust operation is the cornerstone and an indispensable pillar of our development. The safety of vessel navigation is essential for the long-term development of the Company, and it also bears on happiness of every employee and their families. Therefore, we remain committed to safety as our top priority.

4.1.1 Maritime Safety Management System

LC Logistics has been enhancing maritime safety on the basis of strict compliance with international mandatory conventions and regulations, international recommended rules and guidelines, as well as domestic and foreign laws, regulations and safety management rules such as the Work Safety Law of the People's Republic of China (《中華人民共和國安全生產法》) and the Management Code of the People's Republic of China for the Safe Operation of Ships and for Pollution Prevention (《中華人民共和國船舶安全營運和防止污染管理規則》).

Safety management is an indispensable daily and comprehensive task in vessel-based production and transportation, and system documents constitute the foundation of vessel safety management. Therefore, LC Logistics has formulated policy documents such as Safety, Health, and Environmental Protection Policy (《安全、健康和環境保護方針》) and Safety Management (《安全管理》), and has established maritime safety objectives to solidify our safety management system. This effectively prevents and reduces the possibility of occurrence of accidents, ensuring maritime safety and health of employees to the greatest extent possible.

Detention rate below 5% in port state and flag state

Serious accident rate below 5%

Pollution accident rate below 5%

Maritime Safety Objectives of the Company

Thanks to efforts of our general manager, the LC Logistics safety management system has been put into place, aiming to further standardize maritime safety management in LC Logistics. With the safety management system, we not only satisfy the audit requirements of the flag state authorities and port state governments in terms of safety management, but also enhance our own safety management capabilities.

Implement policies for safety, health, and environmental protection

Ensure compliance with international and flag state laws, directives, and procedures

Define responsibilities and authorities of the system participants, as well as the collaboration among them

Role of the Safety Management System

To ensure the effective implementation of LC Logistics safety management system, the Company clearly defines the specific responsibilities and authorities of all participants in the system, including the management, executing personnel and inspectors, etc. The Company also establishes an exhaustive mechanism for collaboration and communication among them to ensure that relevant personnel efficiently and accurately fulfill their safety management responsibilities.

4.1.2 Maritime Safety Risk Management

LC Logistics places high importance on maritime safety risk management, and recognizes various risks that may threaten the safety of vessels and personnel during maritime operations. Therefore, the Company meticulously classifies maritime risks into internal risks and external risks. Additionally, the Company has developed the Vessel Emergency Manual《船舶應急手冊》, detailing maritime accidents and emergency management mechanisms. The manual aims to enhance the capability to prevent and control potential risks involved in various aspects such as navigation control, cargo handling, lifesaving and firefighting, as well as critical equipment management and maintenance.

Prevention of internal risks

- The Company establishes the supervisor visit system, the internal vessel audit system and vessel self-inspection regulations so that standard inspections of vessels are conducted regularly.
- The Company puts into place the corresponding maintenance system for individual vessel so that regular vessel maintenance is conducted.

Response to external risks

- We take corresponding preventive measures to minimize the risk of collisions, grounding, piracy, stowaways, drug smuggling, personnel falling overboard, vessel flooding, fires, and other hazards that may occur during transportation, thus preventing personal injuries and environmental pollution.

Management of Internal and External Risks Involved in Vessel Operations of LC Logistics

We have developed relevant management policies to address internal operational risks. In addition, we have established corresponding maintenance system for individual vessel so as to conduct the required maintenance and servicing of vessels regularly to ensure the safety of vessel operations.

LC Logistics keeps careful watch for such identified external risks as potential collisions, grounding, pirate attacks, and extreme weather threats, and has developed a series of preventive and emergency measures to address those risks.

Collision prevention/ grounding prevention	• In case of risk of collision, we immediately initiate emergency responses, and coordinate all available resources to ensure that accidents are promptly and properly handled, thus minimizing the consequential losses and impacts • In case of grounding, we promptly assess the on-site situation, take effective measures to refloat the vessel, and ensure the safety of personnel
Counter-piracy	• Preventive measures against piracy or violent acts are outlined in our emergency manual, including assessing the risks of piracy, terrorism, or robbery that may be encountered on the next voyage, preparing tools to deter robbery, and around-the-clock watch for piracy
Extreme weather	• We enhance emergency management, focusing on addressing specific risks such as navigating during the night and in foggy conditions, mitigating winter-related hazards, averting typhoon-related dangers, and managing the risk of flooding

Prevention and Emergency Response Measures for External Risks

To enhance LC Logistics' ability to respond to safety incidents, we have established a vessel emergency drill system and conducted a series of emergency drills accordingly to ensure that we are able to swiftly and effectively take appropriate measures in case of emergencies, thus maximizing the safety of both vessels and crew members.

Emergency drills

For required drills outlined in the safety management manual, the Company has established emergency response procedures and rules, stipulating that at least one drill shall be jointly conducted by shore-based staff and crew members on an annual basis to ensure that all crew members involved in the emergency response team are aware of their responsibilities and familiar with emergency response procedures.

Emergency drills/trainings organized by the captain: The captain shall organize crew members for emergency drills/training according to the plan, with a focus on the arrangements outlined in the muster list and the exercise intervals specified in the Annual Vessel Drill Training Plan (《船舶年度演習培訓計劃》). The drills/trainings shall be implemented with reference to the steps and processes specified in the relevant manuals and emergency response procedures.

For the required drills outlined in the emergency manual, the emergency manual stipulates that at least one drill shall be conducted onboard respectively each month with respect to oil spill, abandonment, and firefighting, and that emergency steering drill shall be conducted at least once every three months. If more than 25% of the crew members are changed, a drill must be conducted within 24 hours of departure.

Confined space entry and rescue drills: These drills include checking and using personal protective equipment, communication devices and procedures, instruments for measuring air content, rescue equipment and procedures, as well as introducing first aid and resuscitation techniques.

Emergency Drills Conducted by LC Logistics

4.1.3 Occupational Health and Safety

LC Logistics, as a comprehensive vessel and logistics group, recognizes that shipping is the cornerstone of the logistics industry, and the health and safety of crew members are essential for a solid foundation. In order to ensure the normal operation of vessels and to ensure that our crew members have a safe working environment and are physically and mentally healthy, we have made it our goal to have a repatriation rate of less than 1 per cent of our crew members for health reasons. To achieve this goal, we have implemented the following measures:

Intensify the supervision and inspection of vessels, visit the vessels to deal with machinery affairs more frequently and implement the crew assessment system to ensure a favorable working environment for crew members through multi-party supervision

Prioritize trainings for crew members, intensify responsibility education for officers at various levels, improve management skills and safety awareness of crew members, and enhance professional ethics and technical competence of crew members

Provide comprehensive protective equipment for all crew members, including work uniforms, safety helmets, and goggles

Enhance emergency response capability, ensure prompt response to injuries and illnesses of onboard crew members, and conduct thorough investigations into and handling of relevant accidents to prevent the occurrence of subsequent incidents

Measures Ensuring Occupational Health and Safety of Crew Members

By continuously enhancing the occupational health and safety system mechanism for employees, LC Logistics did not experience any work-related fatalities during the reporting period. Detailed occupational health and safety data are as follows:

Indicator	Unit	2021	2022	2023
Number of work-related fatalities	person	0	0	0
Proportion of work-related fatalities	%	0	0	0
Number of lost days due to work injury	day	0	0	0

4.2 Service First

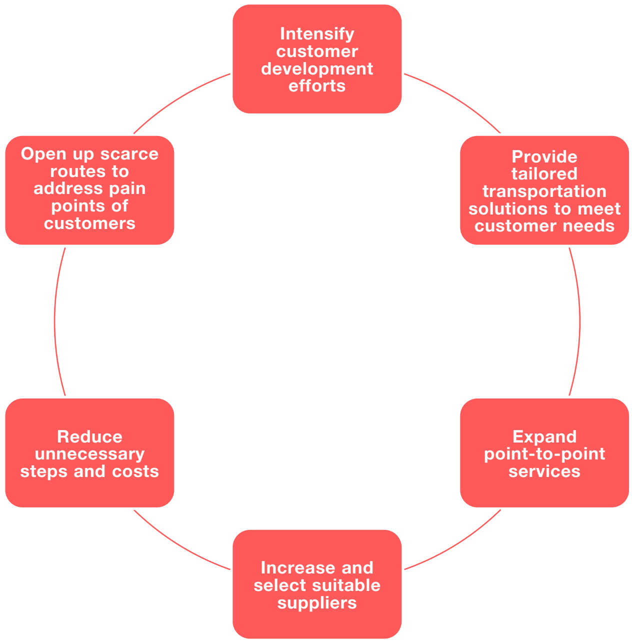
LC Logistics has established a strong brand advantage and accumulated high-quality customer resources over the years. Through long-term, professional, and in-depth cooperation, we have built solid and stable business connections with our customers. Our integrated cross-border logistics services closely align with the industry trend of Chinese brands going global, efficiently meeting the diverse transportation needs of cross-border e-commerce customers.

4.2.2 Customer Service

LC Logistics continuously provides diversified services for customers, addresses their pain points and offers cross-border and comprehensive logistics solutions to enhance customer satisfaction. For instance, based on the unique requirements of our customers, we provide transportation for unconventional cargo and supporting logistics services at destination ports, meeting customer needs while further enhancing their trust in us.

Unconventional cargo transportation	• We attach great importance to customers' demand for unconventional cargo transportation. To address this paint point, we conduct thorough road surveys in advance and meticulously plan transportation routes to ensure the use of direct loading at the port. When necessary, we introduce floating crane equipment to ensure the safe and punctual shipment of equipment so as to satisfy the strict requirements of customers for on-time delivery.
Logistics services at the destination port	• In destinations where customers have limited direct access, we also offer a comprehensive range of related logistics services, including customs clearance, bill of lading transfer with shipping companies, and distribution services. This ensures that we can fully meet the diverse needs of customers in various transportation scenarios.

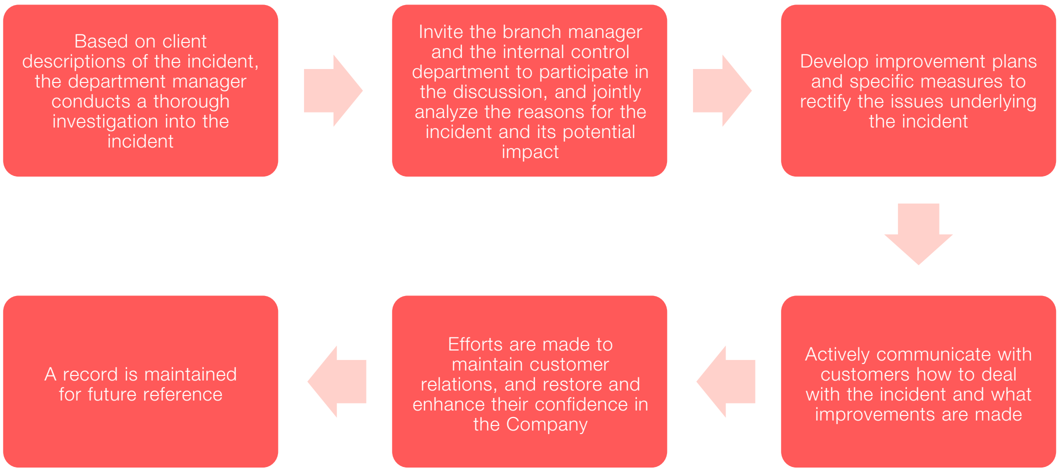
To standardize and enhance the quality of key customer management, LC Logistics conducts monthly satisfaction surveys by operation managers. The results of those surveys are communicated to internal management. We actively make improvements against opinions and suggestions given by the key customers in the surveys, and give feedback to them as soon as possible. According to the customer satisfaction surveys in 2023, the result reveals that our customers are satisfied with our services in general.



Measures to Enhance Customer Satisfaction

4.2.2 Customer Complaint Mechanism

LC Logistics places great importance on managing customer complaints. Customers can directly provide feedback or lodge complaints with the Company's sales representatives and key account managers, or through various online channels such as email. Upon receiving a complaint, the relevant personnel should, in strict accordance with internal polices such as the Rules for Customer Complaint Handling, After-sales Service and Abnormality Management《客戶投訴處理、售後服務及異常管理制度》, clearly define the responsible department, promptly respond to customer needs and address various complaint issues. During the reporting period, LC Logistics did not receive any customer complaint thanks to our excellent customer services.



Customer Complaint Handling Mechanism

4.3 Information Security and Privacy Protection

Effective network information security management is essential for maritime transportation in the context of the increasingly digitalized maritime vessels and ports. LC Logistics has put into place an all-round information security system comprising such rules and regulations as the LC Group Rules for Cybersecurity Incident Emergency Response and Reporting (《樂艙集團網絡安全事件應急處置和報告制度》) and the LC Group Data Security Management Rules (《樂艙集團數據安全管理制度》), and has adopted a series of measures for information storage and protection to ensure the security of information of both customers and the Company.

Implement reasonable technical and managerial measures to ensure the security of customers' personal information in the course of transmission and storage

Encrypt customers' personal information to prevent unauthorized access and leakage

Work with third parties to jointly protect the security of customers' personal information

Conduct data security emergency drills to promptly identify and fix security vulnerabilities, ensuring that we can respond rapidly and effectively in the event of a data security incident

Information Storage and Protection of LC Logistics

During the reporting period, we conducted a series of information security training sessions, aiming to protect security of our information. For instance, in 2023, we organized the Cyber Information Security Awareness Training (網路信息安全意識學習培訓) for all employees of the Group to enhance their awareness of information security so that they could effectively prevent and respond to potential security risks in their daily work. During the reporting period, there were 324 participations in information security and privacy protection training sessions with coverage rate of 100%.

LC Logistics is committed to enhancing information security and has garnered recognition from authoritative institutions. Up to now, we have been honored with a Level 3 Certification in Information System Security. During the reporting period, LC Logistics did not experience any information security incidents or privacy breaches.


信息系统安全等级保护
备案证明

依据《信息安全等级保护管理办法》的有关规定，张家港乐舱网络科技有限公司单位的：

第 3 级 乐舱网络货运 系统

予以备案。

证书编号：32000013333-21001

中华人民共和国公安部监制

备案公安机关公章
2021年06月03日

Level 3 Certification in Information System Security

4.4 Supplier Management

LC Logistics pursues rigorous and efficient supplier management, and has established a reliable supplier system to ensure continuous optimization and stability of supplier management. Furthermore, we enhance supply chain compliance management, focusing on performance of suppliers in ESG aspects.

As a part of supplier admission, LC Logistics conducts comprehensive reviews against the stringent criteria for suppliers such as qualifications, reputation and service capability to ensure that only excellent suppliers meeting the criteria are admitted into the cooperation system. Additionally, priority is given to suppliers who fulfill ESG responsibility.

LC Logistics has established a comprehensive assessment mechanism for supplier assessment, in which suppliers are subject to assessment in terms of key indicators such as booking speed, booking success rate, on-time delivery rate, and price competitiveness to ensure that suppliers can consistently provide high-quality services.

In terms of supplier exit, LC Logistics emphasizes fairness and transparency. Based on assessment results and terms of contract, we promptly communicate with and provide guidance for suppliers with poor performance, so that they could make improvements, and if any supplier is still inferior to the required performance, we initiate exit process for such supplier.

Supplier Management Process

During the reporting period, the quantitative data of our suppliers are as follows:

Indicator	Unit	Data for 2023
Total number of suppliers	Nos	1,485
– Mainland China suppliers	Nos	1,304
– Non-Mainland China suppliers	Nos	181

5 Employee Management

LC Logistics always believes that employees are the most valuable assets of the Company, and that our development relies on the joint forces of every employee. We respect the uniqueness and differences of every employee, care for their health and well-being, and are committed to creating an equal, inclusive, and diverse work environment where every employee can fully unleash their talents and realize their value.

5.1 Compliant Employment

LC Logistics strictly adheres to the laws and regulations of the country and region where it operates as well as relevant management regulations, and always uphold the business principle of integrity and compliance. We strictly comply with relevant laws and regulations such as the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) and the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), and we sign compliant labor contracts with our employees. Additionally, we have established the LC Logistics Employee Handbook (《樂艙物流員工手冊》) as the basis for employee hiring management in order to regulate our employment practices.

Compliant employment is a non-negotiable red line for LC Logistics. Firstly, we strictly regulate working hours to eliminate forced labor. Secondly, we adhere to the Prohibition of the Use of Child Labor (《禁止使用童工規定》) by firmly rejecting any form of child labor. During the reporting period, LC Logistics did not encountered any incidents of forced labor or employing child labor.

LC Logistics is committed to continuously expanding its talent pool to ensure we remain competitive in a sustainable manner. We approach recruitment with a commitment to legality, compliance, and matching candidates to their roles. Simultaneously, in order to build a diverse team, we provide equal employment opportunities for candidates with various professional backgrounds and ensure that no discrimination exists during the recruitment process, thus safeguarding the legal rights of our employees.

During the reporting period, the employment at LC Logistics is as follows:

Employee Employment	Unit	2023
Total number of employees by employment type		
Full-time employee	person	324
Part-time employee	person	6
Number of full-time employees by gender		
Female	person	182
Male	person	142
Number of full-time employees by age group		
Below 30	person	83
30-50	person	211
Above 50	person	30
Number of full-time employees by geographical region		
Mainland China	person	320
Hong Kong, Macau and Taiwan	person	2
Overseas	person	2
Number of full-time employees by rank		
Senior management	person	12
Middle management	person	46
General staff	person	266
Number of women in management		
Female employees in senior management	person	3
Female employees in middle management	person	21

During the reporting period, the turnover of regular employee at LC Logistics is as follows:

Employee turnover	Unit	2023
Total turnover rate	%	28.63
Employee turnover rate by gender		
Female	%	24.17
Male	%	33.64
Employee turnover rate by age group		
Below 30	%	48.12
30-50	%	19.16
Above 50	%	9.09
Employee turnover rate by geographical region		
Mainland China	%	28.89
Hong Kong, Macau and Taiwan	%	–
Overseas	%	–

5.2 Development and Training of Employees

High-level talents play a guiding role in our development. LC Logistics has accumulated rich practical experience in long-term talent development and training. We have developed a comprehensive talent value evaluation system and training regime based on the Employee Handbook. At the same time, we keep integrating and optimizing value assessment tools and methods, with a focus on individual performance appraisal, achievement contribution, and capability matching, to drive talent development across all levels of the Company.

5.2.1 Development of Employees

LC Logistics has a well-established rank management system. We consistently rely on employee capabilities and performance to enhance employee motivation and performance through transparent reward and incentive mechanisms, as well as internal promotion mechanisms. Subsidiaries of LC Logistics have established comprehensive talent system management measures and other internal employee development regimes, such as the Rank System Management Measures of Shandong Lcang International Logistics Inc. Corp. Ltd《山東樂艙網國際物流股份有限公司職級體系管理辦法》 and the Operator Performance Evaluation Management Measures of Shandong Lcang International Logistics Inc. Corp. Ltd《山東樂艙網國際物流股份有限公司操作人員考核管理辦法》, offering a smooth channel for promotion and development of employees.

To fully motivate employees and provide them with more development opportunities and growth space, LC Logistics has implemented the dual-channel development strategy for its employees. The strategy allows employees to transform between management and technical career paths based on their own interests and abilities, continuously expanding their knowledge areas and improving their skills to better meet the Company's evolving needs.

We've also established clear promotion criteria considering the characteristics and needs of different business lines to quantify employee performance. We implement various performance evaluation measures to effectively assess employee performance and motivate them to continuously improve their work-related performance, thus contributing greater value to the Company's development.

Salesperson	• We've implemented a monthly commission scheme in which bonuses are calculated on the basis of the sales targets achieved, as well as profitability and repayment rates. This aims to create a positive and efficient sales environment for the Company, thus encouraging employees to actively engage in sales activities and achieve better performance.
Operator	• We have established a monthly performance evaluation system to incentivize employees to work hard and earn more rewards accordingly. Through timely feedback and incentives, we motivate employees to strive towards the Company's goals.

Different Performance Assessments for Certain Individuals

In addition to monthly assessments, we also carry out comprehensive annual evaluations. Based on the annual briefing reports filled out by employees, leaders conduct a comprehensive evaluation of their performance over the past year, and identify their strengths and areas for improvement. Additionally, based on the results of the annual assessment, we also recognize outstanding performance of employees and provide rewards to inspire their initiative and motivation, thereby enhancing their loyalty to the Company.

5.2.2 Training of Employees

LC Logistics has developed specific training plans and programs tailored to employees at different stages. We offer new employees on-boarding sessions covering corporate culture, work modules and content, as well as redline of the Company. These sessions aim to provide guidance on our history, current situation, corporate culture, development direction, work nature and content, regulations etc., helping new employees understand the Company and their job roles quickly so that they could adapt themselves to the corporate culture, and meet job requirements. For the existing employees, we provide diverse on-the-job trainings and fund their training opportunities to offer support in various aspects such as professional knowledge, skills, and competency.

We provide employees with reasonable and comprehensive training content on the basis of actual business needs. Our training involves professional skills, business enhancement, and management to ensure employees could improve their overall professional skills and competence. This approach aims to cultivate a high-quality talent pool that keeps close pace with the times and ensure sustainable development of talent.

Professional skills	• Introduction to vessel-related maritime business • Introduction to vessel machinery business introduction, etc.
Business enhancement	• International trade practice • Introduction to documentation and container transport, etc.
Management	• Customer information management and contract approval workflow in the OA system, etc.

Classification of LC Logistics Training System

LC Logistics maximizes the use of internal and external resources to optimize training quality. We conducted 13 internal training sessions tailored to our business needs to enhance employees' practical skills and leadership abilities. Additionally, we engaged external instructors to provide online and offline trainings for personnel across the Group and its branches and subsidiaries to improve business capability of departments and support the implementation of the Company's talent development strategy.

ChatGPT Knowledge Sharing Session of LC Logistics

In 2023, LC Logistics organized the "Embrace ChatGPT" Knowledge Sharing Session ("「擁抱 ChatGPT」知識分享會"), through which employees gained in-depth understanding of AI-related knowledge, broadening their knowledge base and deepening their learning and comprehension. This enables employees to open a new perspective for adapting to new technologies, market changes, and business innovation.

"Embrace ChatGPT" Knowledge Sharing Session of LC Logistics

LC Logistics and Scitae Business School Jointly Provides External Training

In 2023, LC Logistics collaborated with external partner Scitae Business School to conduct external training programs. The training aimed at personnel across the Group and its branches and subsidiaries, primarily focusing on systematic training for performance assessment systems and compensation scheme design. The training was conducted through a combination of online and offline channels, and allowed the management personnel to better understand the principles and techniques of performance management through professional training, enriching their own professional knowledge.

External Training by LC Logistics and Scitae Business School

During the reporting period, LC Logistics achieved 100% coverage of employee training, with an average training hours of 14.9 hours per employee. Detailed information on employee training of LC Logistics is provided below.

Indicator	Unit	2023
Number of full-time employees trained by gender		
Male	person	214
Female	person	240
Number of full-time employees trained by employee type		
Senior management	person	12
Middle management	person	50
General staff	person	392
Total training hours completed by full-time employees by gender		
Male	hour(s)	3,172
Female	hour(s)	3,572
Total training hours completed by full-time employees by employee type		
Senior management	hour(s)	177
Middle management	hour(s)	738
General staff	hour(s)	5,830
Total training expenditure	RMB 0'000	2

5.3 Caring for Employees

LC Logistics not only focuses on employees' capabilities and career development, but also cares about whether our employees can enjoy a better work experience and their quality of life. In 2023, through various initiatives aimed at caring for and communicating with employees, LC Logistics actively enhanced employee satisfaction, and increased their happiness, building on our positive corporate image in society.

5.3.1 Remuneration and Benefits

LC Logistics places a priority emphasis on safeguarding the rights and interests of every employee by implementing internal policies related to compensation and benefits, thereby enhancing employees' motivation and satisfaction. We have established a diverse compensation system aimed at creating a "development space with external competitiveness, internal fairness, and upward development momentum for employees". As for benefits, in addition to statutory benefits, we offer a variety of additional benefits to enhance well-being of employees.

Remuneration

- The Company has established a diverse compensation system consisting of basic salary, position-based salary, performance-based salary, commissions, and allowances

Benefits

- The Company provides employees with social insurance and housing provident fund contributions
- Employees who have completed 3 years of service receive a seniority subsidy each month from the Company
- All employees are entitled to statutory holidays, annual leave, health examination, and other benefits

Remuneration and Benefits System of LC Logistics

5.3.2 Concern for Employees

As LC Logistics grows, we consistently prioritize our concern for employees. We believe that concern for employees is a key factor in enhancing their satisfaction and happiness, as well as a crucial source for the Company to achieve sustainable development and competitive advantages. LC Logistics fosters an active and harmonious corporate culture. Through heartwarming conducts like giving gifts on employees' birthdays and important holidays, we express our care and appreciation to employees, enhancing their sense of belonging and fostering team cohesion.

Birthday Parties for Employees by LC Logistics

In 2023, LC Logistics organized multiple birthday parties for employees. Through these heartwarming gatherings, the Company expressed its sincere care and blessings to the employees. Holding birthday parties for employees not only helps cultivate a positive and motivating work culture, but also enhances employee satisfaction.

Birthday Parties for Employees by LC Logistics

Providing Gifts to Employees on International Women's Day by LC Logistics

On International Women's Day in 2023, LC Logistics distributed holiday gifts to female employees. Additionally, to demonstrate LC Logistics' care for its female employees, female employees were entitled to have a half-day holiday on International Women's Day, and they could commence this leave until the end of March. Employees not only received thoughtful gifts, but also felt the Company's care and concern during this special occasion.

Providing Gifts to Employees on International Women's Day by LC Logistics

6 Community and Charity

While pursuing economic benefits, LC Logistics consistently upholds its social responsibility. We actively participate in charitable undertakings by supporting projects in education through donations, volunteer services, and other means. We recognize that any company would not succeed without the support and belief from society. Therefore, LC Logistics will continue to fulfill its responsibilities as a corporate citizen and contribute to the sustainable development of society. During the reporting period, LC Logistics made charitable donations totaling RMB95,700.

"Do Everything for the Smile of Flowers" Volunteer Teaching Activity

Ms. Li Yan, Senior Vice President of LC Logistics, has participated on behalf of the Company in the "Do Everything for the Smile of Flowers" volunteer teaching activity for nine years. She has traveled to Gannan Tibetan Autonomous Prefecture on behalf of LC Logistics multiple times to personally teach as a volunteer teacher, bringing lively lessons to the children there.

"Do Everything for the Smile of Flowers" Volunteer Teaching Activity

Donating Teaching Supplies to the School by LC Logistics

In 2023, LC Logistics also donated 11 electronic screens and 11 projectors to improve the teaching environment for the children of Dalusha Primary School (大魯沙小學) in Xiaoxinjie Township, Yuanyang County, Honghe Hani and Yi Autonomous Prefecture, Yunnan Province.

Donation Ceremony

APPENDIX

GUIDELINES OF THE STOCK EXCHANGE

Subject Areas, General Disclosures and Key Performance Indicators (KPI) of ESG			Section
Environmental			
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Low-carbon Development – Addressing Climate Change Low-carbon Development – Environmental Management and Emission Control
	KPI A1.1	The types of emissions and respective emissions data.	Low-carbon Development – Environmental Management and Emission Control
	KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Low-carbon Development – Addressing Climate Change
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Low-carbon Development – Environmental Management and Emission Control
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Low-carbon Development – Environmental Management and Emission Control
	KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Low-carbon Development – Environmental Management and Emission Control
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Low-carbon Development – Environmental Management and Emission Control

Subject Areas, General Disclosures and Key Performance Indicators (KPI) of ESG			Section
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Low-carbon Development — Addressing Climate Change Low-carbon Development — Environmental Management and Emission Control
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Low-carbon Development — Addressing Climate Change
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Low-carbon Development — Environmental Management and Emission Control
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Low-carbon Development — Addressing Climate Change
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Low-carbon Development — Environmental Management and Emission Control
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	LC Logistics' business operation is not related to direct supply of packaging materials for manufactured goods, so this indicator is not applicable.

Subject Areas, General Disclosures and Key Performance Indicators (KPI) of ESG			Section
A3: The Environment and Natural Resources	General Disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	Low-carbon Development — Environmental Management and Emission Control
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Low-carbon Development — Environmental Management and Emission Control
A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Low-carbon Development — Addressing Climate Change
	KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Low-carbon Development — Addressing Climate Change
Social			
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employee Management — Remuneration and Benefits
	KPI B1.1	Total workforce by gender, employment type (for example, full – or part-time), age group and geographical region.	Employee Management — Compliant Employment
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employee Management — Compliant Employment

<table>
<tr><th colspan="3">Subject Areas, General Disclosures and Key Performance Indicators (KPI) of ESG</th><th>Section</th></tr>
<tr><td rowspan="4">B2:
Health and Safety</td><td>General Disclosure</td><td>Information on:
(a) the policies; and
(b) compliance with relevant laws and regulations that have a significant impact on the issuer
relating to providing a safe working environment and protecting employees from occupational hazards.</td><td>Robust Operations — Maritime Safety</td></tr>
<tr><td>KPI B2.1</td><td>Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.</td><td>Robust Operations — Maritime Safety</td></tr>
<tr><td>KPI B2.2</td><td>Lost days due to work injury.</td><td>Robust Operations — Maritime Safety</td></tr>
<tr><td>KPI B2.3</td><td>Description of occupational health and safety measures adopted, and how they are implemented and monitored.</td><td>Robust Operations — Maritime Safety</td></tr>
<tr><td rowspan="3">B3:
Development and Training</td><td>General Disclosure</td><td>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</td><td>Employee Management — Training of Employees</td></tr>
<tr><td>KPI B3.1</td><td>The percentage of employees trained by gender and employee category (e.g. senior management, middle management).</td><td>Employee Management — Training of Employees</td></tr>
<tr><td>KPI B3.2</td><td>The average training hours completed per employee by gender and employee category.</td><td>Employee Management — Training of Employees</td></tr>
</table>

Subject Areas, General Disclosures and Key Performance Indicators (KPI) of ESG			Section
B4: Labor Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	Employee Management — Compliant Employment
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	Employee Management — Compliant Employment
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Corporate Governance — Whistleblowing Management
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Robust Operations — Supply Chain Management
	KPI B5.1	Number of suppliers by geographical region.	Robust Operations — Supply Chain Management
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Robust Operations — Supply Chain Management
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Robust Operations — Supply Chain Management
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Robust Operations — Supply Chain Management

Subject Areas, General Disclosures and Key Performance Indicators (KPI) of ESG			Section
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Robust Operations — Service First
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	LC Logistics' business operation is not related to products recalls due to safety and health reasons, so this indicator is not applicable.
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Robust Operations — Service First
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Corporate Governance — Business Ethics
	KPI B6.4	Description of quality assurance process and recall procedures.	LC Logistics' business operation is not related to product quality inspection processes or product recall procedures, so this indicator is not applicable.
	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Robust Operations — Information Security and Privacy Protection

Subject Areas, General Disclosures and Key Performance Indicators (KPI) of ESG			Section
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Corporate Governance — Business Ethics
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Corporate Governance — Business Ethics
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Corporate Governance — Business Ethics
	KPI B7.3	Description of anti-corruption training provided to directors and staff.	Corporate Governance — Business Ethics
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community and Charity
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Community and Charity
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community and Charity

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2023.

Principal Activities

The Company is an investment holding company and its subsidiaries are principally engaged in provision of integrated cross-border logistics services and other services. An analysis of the Group's revenue and operating results for the year ended 31 December 2023 by its principal activities is set out in note 4 to the consolidated financial statements of the Group on page 140 in this annual report.

Results

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statements of profit or loss and other comprehensive income of the Group on pages 106 to 107 of this annual report.

Dividends

The Board resolved not to declare the payment of final dividend for the year ended 31 December 2023 (year ended 31 December 2022: nil).

Pre-Emptive Rights and Tax Relief

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated under which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

Business Review

General

A review of the business of the Group during the year ended 31 December 2023, an analysis of the Group's performance during the year using financial key performance indicators and a discussion on the Group's future business development are contained in the Management Discussion and Analysis on page 6 to page 7 of this annual report.

In addition, discussions on the Group's environmental protection policies, performance and relationships with employees, customers, suppliers and major stakeholders are set out in the section headed "Environmental, Social and Governance Report" in this annual report. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2023 are set out in note 38 to the consolidated financial statements on page 188 in this annual report. An account of the Company's key relationships with its employees, customers and suppliers, please refer to the sections headed "Management discussion and analysis – Employees and remuneration policy" and "Directors' Report – Major customers and suppliers" in this annual report.

Principal risks and uncertainties

Principal risks and uncertainties faced by the Group 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 the Group's services and business in general; (iii) the Company requires a substantial amount of working capital and financial resources to sustain its business; (iv) the Company faces intense competition which could adversely affect the results of operations and market share; (v) the success of the business depends on customers' business performance and their continuing demand for the Group's services; (vi) the Group's business is subject to complex treaties, local laws and regulations; (vii) if there is a decrease in the demand for cross-border logistics in the markets where the Group operates, its business, results of operations and prospects may be materially and adversely affected; (viii) if the Group is unable to manage the capacity and/or terms of its chartered-in or chartered-out vessels effectively, its financial performance and results of operations may be adversely affected; and (ix) the Group could be adversely affected as a result of any sales it makes 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 Group's financial risk management objectives and policies of the Group are set out in note 37 to the consolidated financial statements of the Group in this annual report.

Compliance with laws and regulations

The Company is incorporated in the Cayman Islands with the Shares listed on the Main Board of the Stock Exchange. The Group's subsidiaries are incorporated in Hong Kong and the PRC.

Its establishments and operations accordingly shall comply with relevant laws and regulations in the Cayman Islands, the PRC and Hong Kong. During the year ended 31 December 2023 and up to the date of this report, the Group has complied with all the relevant laws and regulations in the Cayman Islands, the PRC and Hong Kong that have a significant impact on the Group.

Major Customers and Suppliers

The Group's customers generally include manufacturers and trading companies and freight forwarders. The Group's suppliers generally include shipping carriers, trucking companies, railway companies, warehousing service providers, customs brokers, time charter companies, container suppliers and bunker suppliers.

During the year ended 31 December 2023, revenue attributable to the Group's largest customer amounted to approximately 9.7% of the Group's total revenue and the Group five largest customers in aggregate accounted for approximately 25.4% of the Group's revenue for the year.

During the year ended 31 December 2023, purchases attributable to the Group's largest supplier amounted to approximately 9.5% of the Group's total purchases and the Group five largest suppliers in aggregate accounted for approximately 33.4% of the Group's total purchases for the year.

None of the Directors, their close associates or any Shareholders, which to the knowledge of the Directors owned more than 5% of the issued Shares, had an interest in the share capital of any of the five largest suppliers and customers.

Financial Statements

The results of the Group for the year ended 31 December 2023 and the state of the Group's financial position as at that date are set out in the consolidated financial statements on pages 106 to 109 in this annual report.

Distributable Reserves

Details of the movement in the reserves of the Group and of the Company during the year ended 31 December 2023 are set out on page 110 of this annual report. In respect of Company, the amount of reserves available for distribution to Shareholders under the Companies Laws of the Cayman Islands as at 31 December 2023 was RMB935.7 million.

Subsidiaries

Particulars of the Company's subsidiaries as at 31 December 2023 are set out in note 1 to the consolidated financial statements.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group and the Company during the year ended 31 December 2023 are set out in note 13 to the consolidated financial statements.

Share Capital

Details of the movements in the share capital of the Company during the year ended 31 December 2023 are set out in notes 27 to the consolidated financial statements.

Borrowings

Details of the Group's borrowings during the year ended 31 December 2023 are set out in note 25 to the consolidated financial statements.

Share Incentive Scheme

On 23 August 2023, the Company adopted a share scheme (the "**Post-IPO Share Scheme**") pursuant to the written resolutions of its then Shareholders passed the same date. During the year ended 31 December 2023, no option was granted under the Post-IPO Share Scheme.

Details of the Share Scheme

(1) Purpose

The purpose of the Post-IPO Share Scheme is to provide the Eligible Participants (as defined below) 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 the Group.

(2) Eligible Participants

The Board may, at its discretion, offer to grant an option to any director and employee of the Company or any of our subsidiaries (including persons who are granted options under the Post-IPO Share Scheme as an inducement to enter into employment contracts with the Company and/or any of its subsidiaries) (collectively the "**Eligible Participants**") to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (5) below.

Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

(3) The maximum number of Shares available for issue

The maximum number of Shares in respect of which options may be granted under the Post-IPO Share Scheme and under any other share schemes of the Company must not in aggregate exceed 10% ("**Scheme Limit**") of the total number of Shares in issue on the day on which trading of the Shares commences on the Stock Exchange, being 28,393,315 Shares, representing 9.92% of the total number of Shares in issue as at the date of this annual report. As of the date on which such option is offered in writing to an Eligible Participant which must be a business day (the "**Offer Date**") of any proposed grant of options under the Post-IPO 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 Post-IPO Share Scheme or under any other share schemes of the 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 Post-IPO Share Scheme or under any other share schemes of the 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 Post-IPO Share Scheme and any other share schemes of the Company but subsequently canceled.

Subject to the approval of the 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, the Board may refresh the Scheme Limit from time to time to 10% of the number of Shares in issue ("**New Scheme Limit**") as at the date of the approval by the Shareholders in general meeting ("**New Approval Date**"). Any refreshment within any three year period from the date of the Shareholders' approval for the last refreshment (or the adoption of the Post-IPO Share Scheme) must be approved by the 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 the Company and their respective associates) abstaining from voting in favor of the relevant resolution at the general meeting of the Company; and

(ii) the 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 Post-IPO 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 Post-IPO Share Scheme or under any other share schemes of the 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 Post-IPO Share Scheme or under any other share schemes of the Company or any awards granted under any other share schemes of the 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 Post-IPO Share Scheme and any other share schemes of the Company but subsequently canceled.

Subject to the approval of the 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, the Board may grant options exceeding the Scheme Limit to Eligible Participants specifically identified by the Board.

The Scheme Limit shall be adjusted, in such manner as the auditors of the 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 the Company whether by way of capitalization issue, rights issue, sub-division or consolidation of shares or reduction of the share capital of the Company.

(4) The maximum entitlement of each participant

The Board shall, subject to and in accordance with the provisions of the Post-IPO 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 (6) below) offer to grant an option to any Eligible Participant whom the 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 during a specified performance period which must be achieved before an option can be exercised) as it may think fit.

If the Board determines to offer options under the Post-IPO 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 Post-IPO Share Scheme and the other share schemes of the 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 the 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 the 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 the 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.

(5) Subscription price for Shares

Subject to any adjustments made as described in paragraph (7) below, the subscription price of a Share in respect of any particular option granted under the Post-IPO Share Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

(6) Time of exercise of option and duration of the Post-IPO Share Scheme

An option may be exercised in accordance with the terms of the Post-IPO 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 vesting period and 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 Listing Date. Subject to earlier termination by the Company in general meeting or by the Board, the Post-IPO Share Scheme shall be valid and effective for a period of 10 years from the Listing Date ("**Scheme Period**").

(7) Effect of alterations to capital

In the event of any alteration in the capital structure of the 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 the Company or an approved independent financial advisor shall at the request of the 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 the Company (as interpreted in accordance with the supplementary guidance issued by the Stock Exchange on 6 November 2020 and any further guidance and interpretation of the Listing Rules 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 the 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 the Company and the grantees.

For further details of the Post-IPO Share Scheme, please refer to the section headed "Statutory and general information – D. Post-IPO Share Scheme" in Appendix V to the Prospectus.

As at the date of this report, the remaining life the Post-IPO Share Scheme is approximately 9 years and 6 months. Since the adoption of the Post-IPO Share Scheme and up to the date of this report, no option was granted or agreed to be granted, exercised, lapsed or cancelled by the Company pursuant to the Post-IPO Share Scheme. There was no outstanding share option under the Post-IPO Share Scheme as at the date of this report. As at 23 August 2023 (the adoption date) and 31 December 2023, the number of options available for grant under the Post-IPO Share Scheme are 28,393,315.

Equity-Linked Agreements

Save as disclosed in the paragraph headed "Post-IPO Share Scheme" in this section, no other equity-linked agreements were entered into by the Group or existed during the year ended 31 December 2023.

Donations

Donations made by the Group during the year ended 31 December 2023 amounted to RMB95,700.

Directors

The Directors during the year ended 31 December 2023 and up to the date of this report were:

Name of director	Position
Mr. Xu Xin (Chairman and chief executive officer)	Executive Director
Ms. Li Yan	Executive Director
Ms. Zhu Jiali	Executive Director
Mr. Yu Zhenrong	Executive Director
Dr. Gu Lin	Independent non-executive Director
Mr. Du Haibo	Independent non-executive Director
Mr. Qi Yinliang	Independent non-executive Director

In accordance with the article 84 of the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or 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 by rotation at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires.

Accordingly, Ms. Li Yan, Ms. Zhu Jiali and Mr. Yu Zhenrong shall retire from office by rotation at the 2024 AGM and, being eligible, offer themselves for re-election.

Confirmation of Independence of Independent Non-Executive Directors

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

Directors' and Senior Management's Biographies

Biographical details of the Directors and the senior management of the Company are set out on pages 16 to 24 of this annual report.

Directors' Service Contracts

Each of the Directors has entered into a service agreement with the Company for a term of three years, which may be terminated by not less than three months' notice in writing served by either party on the other and subject to retirement by rotation and re-election and other related provisions in accordance with the Articles of Association and the Listing Rules.

None of the Directors standing for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Transactions, Arrangements or Contracts

None of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended 31 December 2023.

Directors' Interests in Competing Business

During the year ended 31 December 2023, none of the Directors was considered to have interests in any business which competes or is likely to compete, either directly or indirectly, with that of the Group.

Emoluments of Directors and Senior Management

The Directors' emoluments are subject to Shareholders' approval at general meetings. The emoluments payable to the Directors are determined by the Board based on the adopted remuneration policy and as recommended by the Remuneration Committee, with reference to the Directors' qualifications and experience, responsibilities undertaken, contribution to the Group and the prevailing market level of remuneration for similar positions.

The emoluments of the members of senior management by band for the year ended 31 December 2023 is disclosed in the "Remuneration Payable to Members of Senior Management" in the Corporate Governance Report. Details of the remuneration payable to each Director for the year ended 31 December 2023 are set out in note 8 to the consolidated financial statements.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares

As at 31 December 2023, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred therein, or which were notified to the Company and the Stock Exchange, pursuant to the Model Code, are set out below.

Name of Director	Nature of Interest	Number of Shares or underlying Shares(Note 1)	Approximate percentage of shareholding(Note 1)
Mr. Xu Xin	Interest in controlled corporations	158,553,294 (L)	55.39%
Ms. Li Yan	Interest in controlled corporations	158,553,294 (L)	55.39%

Note:

(1) As at 31 December 2023, the Company issued 286,269,156 Shares. The letter (L) denotes the entity's long position in the relevant Shares.

Save as disclosed above, as of 31 December 2023, none of the Directors and chief executives of the Company had any interests or short positions in any Shares, underlying Shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the 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 were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Contracts of Significance

Save as disclosed in this report, no contracts of significance (i) in relation to the Group's business; or (ii) for provision of services to the Company (or any of its subsidiaries) by a controlling shareholder (or any of its subsidiaries) between the Company (or any of its subsidiaries) and a controlling shareholder (or any of its subsidiaries) subsisted during or at the end of the year ended 31 December 2023.

Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares and Underlying Shares of the Company

So far as is known to the Company, as at 31 December 2023, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following persons, other than a Director or chief executive of the Company, had an interest of 5% or more in the Shares or underlying Shares:

Name of Shareholder	Nature of Interest	Number of Shares or underlying Shares(Note 1)	Approximate percentage of shareholding(Note 1)
Grand Sailing Limited(Notes 2, 3)	Interest in controlled corporation	75,896,322 (L)	26.51%
Lecang Altitude Limited(Notes 2, 3)	Beneficial owner	75,896,322 (L)	26.51%
Peace Seaworld Limited(Notes 2, 4)	Interest in controlled corporation	19,616,322 (L)	6.85%
Lecang Shining Limited(Notes 2, 4)	Beneficial owner	19,616,322 (L)	6.85%
Ms. Liu Quanxiang(Notes 2, 5)	Interest in controlled corporation	158,553,294 (L)	55.39%
Spring Wealth Limited(Notes 2, 5)	Interest in controlled corporation	24,292,260 (L)	8.49%
Lecang Flourishing Limited(Notes 2, 5)	Beneficial owner	24,292,260 (L)	8.49%
Glorious Sailing Limited(Note 6)	Beneficial owner	30,252,600 (L)	10.57%

Notes:

(1) As at 31 December 2023, the Company issued 286,269,156 Shares. The letter (L) denotes the entity's long position in the relevant Shares.

(2) Pursuant to an acting in concert deed dated 15 October 2022 and executed by the Group's ultimate controlling shareholders (being Mr. Xu Xin, Ms. Li Yan and Ms. Liu Quanxiang) (the "Acting in Concert Deed"), each of Mr. Xu Xin, Ms. Li Yan and Ms. Liu Quanxiang had agreed and confirmed that from the date they became the registered owners and/or beneficial owners of the equity interests in the Group to the date when any of them ceases to be the controlling shareholder of the Company: (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, voting and/or commercial decisions, including but not limited to financial and operational matters, of any member of the 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 the Group; and (c) they had cooperated and would continue to cooperate with one another to acquire, maintain and consolidate the control and management of the Group. By virtue of the SFO, each of the ultimate controlling shareholders of the Company together with investment holding companies held or controlled by them (being Lecang Boundless Limited, Lecang Fantasy Limited, Grand Sailing Limited, Lecang Altitude Limited, Peace Seaworld Limited, Lecang Shining Limited, Spring Wealth Limited, Lecang Flourishing Limited and Glorious Sailing Limited) are all deemed to be interested in the total Shares directly held by Lecang Fantasy Limited, Lecang Altitude Limited, Lecang Shining Limited, Lecang Flourishing Limited and Glorious Sailing Limited.

Lecang Fantasy Limited is wholly owned by Lecang Boundless Limited, which is in turn wholly owned by Mr. Xu Xin. By virtue of the SFO, each of Mr. Xu Xin and Lecang Boundless Limited is deemed to be interested in the 8,495,790 Shares held by Lecang Fantasy Limited.

(3) Lecang Altitude Limited is wholly owned by Grand Sailing Limited, which is in turn wholly owned by Mr. Xu Xin. Accordingly, each of Mr. Xu Xin and Grand Sailing Limited is deemed under the SFO to be interested in the Shares directly held by Lecang Altitude Limited.

(4) Lecang Shining Limited is wholly owned by Peace Seaworld Limited, which is in turn wholly owned by Ms. Li Yan. Accordingly, each of Ms. Li Yan and Peace Seaworld Limited is deemed under the SFO to be interested in the Shares directly held by Lecang Shining Limited.

(5) Lecang Flourishing Limited is wholly owned by Spring Wealth Limited, which is in turn wholly owned by Ms. Liu Quanxiang. Accordingly, each of Ms. Liu Quanxiang and Spring Wealth Limited is deemed under the SFO to be interested in the Shares directly held by Lecang Flourishing Limited.

(6) Glorious Sailing Limited is owned as to approximately 79.53% by Mr. Xu Xin (a Controlling Shareholder and executive Director), 4.96% by Ms. Zhu Jiali (朱佳麗) (an executive Director), 3.97% by Mr. Zhang Feng (張峰) (a senior management member), 0.50% by Ms. Ding Sujun (丁素君) (the 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 the Group. By virtue of the SFO, Mr. Xu Xin is deemed to be interested in the Shares held by Glorious Sailing Limited.

Save as disclosed above and so far as is known to the Directors, as at 31 December 2023, no other interests or short positions in the Shares or underlying Shares which were required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were recorded in the register required to be kept by the Company under section 336 of the SFO.

Connected Transactions

During the year ended 31 December 2023, the Company has not entered into any connected transactions or continuing connected transactions that are not fully exempted from the annual reporting requirement under Chapter 14A of the Listing Rules.

With regard to the related party transactions entered into by the Group during the year as disclosed under note 34 to the consolidated financial statements, none of them constitutes connected transactions or continuing connected transactions which are not fully exempted from the annual reporting requirement under Chapter 14A of the Listing Rules. The Company has complied with applicable disclosure requirements under Chapter 14A of the Listing Rules in respect of the aforesaid transactions.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into during the year or subsisted at the end of the year ended 31 December 2023.

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, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company since the Listing up to 31 December 2023.

Permitted Indemnity

Subject to the applicable laws, every director of the Group's companies shall be entitled to be indemnified by the relevant company against all costs, charges, losses, expenses and liabilities incurred by him or her in the execution and discharge of his or her duties or in relation thereto pursuant to the respective articles of associations of the relevant companies. Such provisions were in force during the course of the financial year ended 31 December 2023 and remained in force as of the date of this report.

The Company has taken out insurance against the liability costs associated with defending any proceedings which may be brought against directors of the Group.

Sufficiency of Public Float

As at the date of this report and based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained the minimum public float of 25% as required under Listing Rules.

Corporate Governance

The Board is of opinion that the Company had adopted, applied and complied with the code provisions as set out in the CG Code contained in Appendix C1 to the Listing Rules during the year under review. Principal corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" section of this report.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out in the section headed "Financial summary" on pages 191 to 192 of this report.

Arrangements to Purchase Shares or Debentures

Other than the Post-IPO Share Scheme, at no time during the year was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate.

AGM and Closure of Register of Members

The 2024 AGM will be held on Monday, 20 May 2024. A notice convening the AGM will be published on the Company's website and the Stock Exchange's website and dispatched to the Shareholders in accordance with the requirements of the Listing Rules in due course. For the purposes of determining the Shareholders' eligibility to attend, speak and vote at the 2024 AGM, the Register of Members will be closed as appropriate as set out below:

For determining the entitlement to attend and vote at the 2024 AGM

The Register of Members 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 determine the identity of members who are entitled to attend and vote at the 2024 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 13 May 2024.

Auditor

The consolidated financial statements of the Group for the year ended 31 December 2023 have been audited by Ernst and Young who will retire at the 2024 AGM. Ernst and Young, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of Ernst and Young as the auditor of the Company will be proposed at the 2024 AGM.

There is no change of auditor since the Listing Date.

By order of the Board

Xu Xin
Chairman

Hong Kong, 26 March 2024

Independent Auditors' Report

Ernst & Young
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Quarry Bay, Hong Kong

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To the shareholders of LC Logistics, Inc.
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of LC Logistics, Inc. (the "Company") and its subsidiaries (the "Group") set out on pages 106 to 190, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Goodwill Impairment	
As at 31 December 2023, the Group had goodwill of RMB8,572,000 in relation to the Group's acquisition of Shanghai Sijin Int'l Transport Co., Ltd. Goodwill is tested for impairment annually. The goodwill impairment review performed by the Group's management includes a number of significant judgements and estimates including those regarding the identification of cash-generating unit ("CGU"), operating profit forecasts, the annual revenue growth rates and the discount rates. We identified this area as a key audit matter because of the materiality of the goodwill balance and the uncertainty of estimation made by management on the key assumptions. The significant accounting estimates and disclosures about the goodwill impairment assessment are included in notes 3 and 15 to the consolidated financial statements, respectively.	Our audit procedures included, among others, involving our internal valuation specialists to assist us in evaluating the methodologies and discount rates used by the Company for determining the recoverable amounts. We examined the underlying data used, such as management's projection on the future revenues and operating results by investigating whether the forecasts were consistent with the financial performance of the CGU during the year of 2023; and we examined the business development plans and historical annual growth of the CGU to evaluate the growth rate of the CGU. We assessed the sensitivity analysis performed by the Group's management on the impact of changes in the key assumptions. We also assessed the adequacy of the Group's disclosures of goodwill impairment in the financial statements.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses on trade receivables	
As at 31 December 2023, the Group had trade receivables of RMB89,260,000, after making a loss allowance of RMB17,363,000. Management assessed the expected credit losses on trade receivables based on assumptions about risk of default and expected credit loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, ageing profile of the receivables, existing market conditions as well as forward-looking estimates at the end of each reporting period. We identified this area as a key audit matter because of the magnitude of the balance of trade receivables and that the assessment of the expected credit losses on trade receivables involved significant judgements and estimates made by management. The significant accounting estimates and disclosures about the provision for expected credit losses on trade receivables are included in notes 3 and 19 to the consolidated financial statements, respectively.	Our audit procedures to assess the provision for expected credit losses on trade receivables included the following: (i) Obtaining an understanding of, evaluating and testing management's key controls in relation to the assessment of the expected credit losses on trade receivables; (ii) Assessing the appropriateness of the credit loss provisioning methodology adopted by management; (iii) Assessing the reasonableness of the forward-looking factors and the estimated credit loss rates by considering historical cash collection performance and movements of the ageing of trade receivables, and taking into account the market conditions; (iv) Testing, on a sampling basis, the accuracy of the ageing analysis of trade receivables prepared by management; and (v) Checking the mathematical accuracy of the calculation of the provision for loss allowance. We also assessed the adequacy of the Group's disclosures of trade receivables in the financial statements.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ho Wai Ling.

Ernst & Young
Certified Public Accountants
Hong Kong
26 March 2024

Consolidated Statements of Profit or Loss

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	5	**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	**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	7	**(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	6	**122,668**	395,383
Income tax expense	10	**(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			
Basic and diluted	12	**RMB0.45**	RMB1.49

Consolidated Statements of Comprehensive Income

Year ended 31 December 2023

	2023 *RMB'000*	2022 *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 Statements of Financial Position

31 December 2023

	Notes	**31 December 2023 RMB'000**	31 December 2022 RMB'000
NON-CURRENT ASSETS			
Prepayments and other receivables	20	**580,869**	377,181
Property, plant and equipment	13	**424,911**	400,338
Right-of-use assets	14	**6,984**	8,028
Goodwill	15	**8,572**	8,572
Intangible assets	16	**1,867**	2,127
Investments in an associate		**135**	181
Equity investments designated at fair value through other comprehensive income	17	**2,300**	2,391
Deferred tax assets	26	**1,175**	3,010
Total non-current assets		**1,026,813**	801,828
CURRENT ASSETS			
Inventories		**5,383**	6,598
Assets held for sale	18	**74,859**	86,557
Trade receivables	19	**89,260**	149,140
Due from related parties	34	**52**	631
Prepayments and other receivables	20	**30,355**	49,276
Income tax recoverable		**908**	118
Financial assets at fair value through profit or loss	21	**9,970**	6,368
Cash and bank balances	22	**207,887**	339,991
Total current assets		**418,674**	638,679
CURRENT LIABILITIES			
Trade payables	23	**172,398**	336,390
Other payables and accruals	24	**50,465**	126,793
Due to a related party	34	**–**	9,711
Interest-bearing bank and other borrowings	25	**51,266**	27,514
Tax payable		**24**	1,263
Lease liabilities	14	**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

Consolidated Statements of Financial Position

31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	25	–	39,416
Lease liabilities	14	2,196	4,590
Deferred tax liabilities	26	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	27	205	29
Reserves	28	1,134,686	878,880
		1,134,891	878,909
Non-controlling interests		29,512	12,270
TOTAL EQUITY		1,164,403	891,179

Xu Xin
Director

Zhu Jiali
Director

Consolidated Statements of Changes in Equity

Year ended 31 December 2023

	Attributable to owners of the parent									
	Share capital *RMB'000* Note 27	Share premium *RMB'000*	Capital reserve *RMB'000* Note 28(a)	Fair value reserve of financial assets at fair value through other comprehensive income *RMB'000* Note 28(b)	Statutory surplus reserve *RMB'000* Note 28(c)	Exchange fluctuation reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2023	29	8,390	(26,967)	(79)	2,154	78,559	816,823	878,909	12,270	891,179
Profit for the year	–	–	–	–	–	–	118,877	118,877	710	119,587
Other comprehensive income/(loss) for the year:										
Changes in fair value of equity investments at fair value through other comprehensive income	–	–	–	(118)	–	–	–	(118)	(1)	(119)
Exchange differences on translation of foreign operations	–	–	–	–	–	2,114	–	2,114	31	2,145
Total comprehensive income for the year	–	–	–	(118)	–	2,114	118,877	120,873	740	121,613
Capital injection from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	16,502	16,502
Issue of shares	176	144,451	–	–	–	–	–	144,627	–	144,627
Share issue expenses	–	(9,518)	–	–	–	–	–	(9,518)	–	(9,518)
At 31 December 2023	205	143,323*	(26,967)*	(197)*	2,154*	80,673*	935,700*	1,134,891	29,512	1,164,403

	Attributable to owners of the parent									
	Share capital *RMB'000* Note 27	Share premium *RMB'000*	Capital reserve *RMB'000* Note 28(a)	Fair value reserve of financial assets at fair value through other comprehensive income *RMB'000* Note 28(b)	Statutory surplus reserve *RMB'000* Note 28(c)	Exchange fluctuation reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 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:										
Changes in fair value of equity investments at fair value through other comprehensive income	–	–	–	105	–	–	–	105	1	106
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 of shares	29	8,390	–	–	–	–	–	8,419	–	8,419
Deemed distribution arising 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

The 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 a deemed distribution and is recognised as a deduction of capital reserve.

* These reserve accounts comprise the consolidated other reserves of RMB1,134,686,000 (2022: RMB878,880,000) in the consolidated statement of financial position.

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**122,668**	395,383
Adjustments for:			
Finance costs	7	**5,388**	4,827
Interest income	5	**(1,959)**	(2,081)
Share of loss of an associate		**46**	159
Losses on disposal of property, plant and equipment	6	**877**	2,816
Losses on disposal of right-of-use assets	6	**39**	–
Fair value (gains)/losses on financial assets at fair value through profit or loss		**(202)**	232
Net foreign exchange (gain)/loss		**(783)**	1,424
Depreciation of property, plant and equipment	6, 13	**39,509**	34,566
Depreciation of right-of-use assets	6, 14	**4,853**	4,434
Amortisation of intangible assets	6, 16	**402**	375
Impairment of prepayments and other receivables	6, 20	**902**	(623)
Impairment of trade receivables	6, 19	**1,524**	9,466
Impairment of assets held for sale	6, 18	**–**	36,450
		173,264	487,428
Decrease in inventories		**1,215**	10,441
Decrease in trade receivables		**58,356**	152,681
Decrease in prepayments and other receivables		**20,661**	27,084
Decrease in trade payables		**(163,992)**	(116,728)
(Decrease)/increase in other payables and accruals		**(46,987)**	47,237
Increase in amounts due from a related party		**(52)**	–
Decrease in restricted cash		**–**	1
Cash generated from operations		**42,465**	608,144
Interest received	5	**1,959**	2,081
Tax paid		**(3,399)**	(24,878)
Net cash flows from operating activities		**41,025**	585,347

Consolidated Statements of Cash Flows

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(311,668)**	(620,521)
Purchases of intangible assets		**(142)**	(254)
Proceeds from disposal of items of property, plant and equipment, and assets held for sale		**27,546**	277,593
Advances to related parties		**–**	(512)
Repayment of advances to related parties	34	**631**	3
Purchases of financial assets at fair value through profit or loss		**(11,106)**	(3,300)
Proceeds from disposals of financial assets at fair value through profit or loss		**7,706**	–
Advances of loans to a non-controlling shareholder of a subsidiary		**(8,463)**	–
Net cash flows used in investing activities		**(295,496)**	(346,991)
CASH FLOWS FROM FINANCING ACTIVITIES			
Deemed distribution arising from the reorganisation		**(9,711)**	(61,827)
Issue of shares		**144,627**	8,419
Share issue expenses		**(9,518)**	–
Capital injection from non-controlling shareholders of subsidiaries		**16,502**	–
Proceeds from interest-bearing bank and other borrowings		**10,000**	52,345
Repayment of interest-bearing bank and other borrowings		**(27,212)**	(95,135)
Interest paid		**(3,264)**	(4,372)
Increase in pledged deposits		**(4,214)**	–
Principal portion of lease payments	14	**(5,638)**	(5,454)
Advances from a related party	34	**–**	90
Repayment of advances from related parties	34	**–**	(3,187)
Net cash flows from/(used in) financing activities		**111,572**	(109,121)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(142,899)**	129,235
Cash and cash equivalents at beginning of year		**339,991**	190,005
Effect of foreign exchange rate changes, net		**6,581**	20,751
CASH AND CASH EQUIVALENTS AT END OF YEAR		**203,673**	339,991
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**207,887**	339,991
Less: Pledged deposits	22	**4,214**	–
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CASH FLOWS		**203,673**	339,991

1. CORPORATE INFORMATION

The Company is an exempted company incorporated in the Cayman Islands. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 25 September 2023. 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 year, the Company's subsidiaries were principally engaged in the provision of integrated cross-border logistics services.

In the opinion of the directors, the ultimate controlling shareholders are Mr. Xu, Ms. Li and Ms. Liu by virtue of the acting in concert deed.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Directly held:				
樂艙物流國際有限公司 LC Logistics International Co., Limited	The British Virgin Islands	USD50,000	100%	Investment holding
PCW Investment Limited ("PCW Investment")	The British Virgin Islands	USD50,000	100%	Investment holding
Indirectly held:				
PCW (Hong Kong) international Limited ("PCW (HK)")	Hong Kong	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)")**	PRC/Chinese Mainland	RMB5,000,000	100%	Investment holding
山東樂艙企業管理服務有限公司 Shandong Lcang Enterprise Management Service Co., Ltd. ("Lcang Enterprise Management")	PRC/Chinese Mainland	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")	PRC/Chinese Mainland	RMB42,618,000	99%	Provision of cross-border logistics services
寧波博亞國際物流有限公司 Ningbo Boya International Logistics Co., Ltd.	PRC/Chinese Mainland	RMB5,000,000	99%	Provision of cross-border logistics services

1. CORPORATE INFORMATION (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held:				
上海絲金國際運輸有限公司 Shanghai Sijin Int'l Transport Co., Ltd. ("Shanghai Sijin")	PRC/Chinese Mainland	RMB7,470,000	74%	Provision of cross-border logistics services
博安航運有限公司 BOAN SHIPPING ENTERPRISE CO., LIMITED	Hong Kong	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.	PRC/Chinese Mainland	RMB5,000,000	99%	Provision of cross-border logistics and e-commerce services
寶星航運有限公司 BAL STAR SHIPPING CO. LIMITED	Hong Kong	USD20,000,000	99%	Vessel chartering
樂艙航運有限公司 LECANG SHIPPING. ENTERPRISE CO., LIMITED	Hong Kong	HKD10,000	99%	Vessel chartering
青島博亞國際物流有限公司 Qingdao Boya International Logistics Co., Ltd.	PRC/Chinese Mainland	USD800,000	99%	Provision of cross-border logistics services
博亞青島航運有限公司 BAL QINGDAO SHIPPING ENTERPRISE CO., LIMITED	Hong Kong	HKD10,000	99%	Vessel chartering services
博亞國際海運有限公司 BAL CONTAINER LINE CO., LIMITED	Hong Kong	HKD1	99%	Provision of cross-border transportation services
LC WESTERN POST LOGISTIC INC ("LC WESTERN")	The United States of America	USD480,000	79%	Provision of warehousing services
博亞廣州航運有限公司 BAL GUANGZHOU SHIPPING CO., LIMITED	Hong Kong	HKD10,000	99%	Not yet commenced operation
LCAW SHIPPING CO., LIMITED* ("LCAW SHIPPING")*	Hong Kong	HKD10,000	50%	Provision of cross-border logistics services

1. CORPORATE INFORMATION (continued)

* 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.

The English names of all group companies registered in the PRC represent the best efforts made by the management of the Company to translate the Chinese names of these companies as they do not have official English names.

United States Dollars are hereafter referred to as the "USD".

Japanese Yen are hereafter referred to as the "JPY".

Ariary are hereafter referred to as the "MGA".

Hong Kong Dollars are hereafter referred to as the "HKD".

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("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 Company and its subsidiaries (collectively referred to as 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.

2. ACCOUNTING POLICIES (continued)

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation *(continued)*

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 the 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.

2.2 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*
Amendments 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*

2. ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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 in note 2 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. ACCOUNTING POLICIES (continued)

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in the financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[1]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[1]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB. However, the amendments are available for adoption now.

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2. ACCOUNTING POLICIES (continued)

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with earlier application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES

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 has 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 and consolidated other 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 transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations 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 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.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Business combinations and goodwill *(continued)*

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.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its financial assets at fair value at the end of each reporting period. 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 financial statements 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 financial statements 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 reporting period.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

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 and 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, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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 reporting period 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.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

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.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

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. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". 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:

Containers	10%
Vessels	7% to 13%
Motor vehicles	19% to 24%
Furniture and fixtures	19% to 32%
Electronic equipment	19% to 32%
Decoration and improvements	29% to 33%

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.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

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

Software is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful lives of 3 to 5 years.

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.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

***Leases** (continued)*

Group as a lessee (continued)

(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 accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets 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 lives of the assets as follows:

Leased office buildings	2 to 5 years

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.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

***Leases** (continued)*

Group as a lessee (continued)

(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 continues to recognise the transferred asset and recognise a financial liability equal to the proceeds of the transfer. The Group accounts for the financial liability by applying IFRS 9.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

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.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets *(continued)*

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.

Financial assets designated at fair value through other comprehensive income (equity investments)

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. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, 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.

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.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

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 reporting period, 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 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.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

***Impairment of financial assets** (continued)*

General approach (continued)

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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 or when the Group applies the practical expedient of not adjusting the effect of 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, an amount due to a related party and interest-bearing bank and other borrowings.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

***Financial liabilities** (continued)*

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings 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.

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

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits are defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

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 Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each reporting period 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 reporting period, 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 reporting period 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 does not give rise to equal taxable and deductible temporary differences; 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.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

***Income tax** (continued)*

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 does not give rise to equal taxable and deductible temporary differences; 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 reporting period 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 reporting period 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 reporting period.

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.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

***Revenue recognition** (continued)*

Revenue from contracts with customers (continued)

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 IFRS 15.

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 reporting period.

(b) Revenue from the 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.

Revenue from other sources

Revenue from a time charter is recognised on the straight-line basis over the period of the charter.

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.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

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 schemes

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 Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Chinese Mainland 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. 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. Proposed final dividends are disclosed in the notes to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency because the Group's principal operations are carried out in Chinese Mainland. 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 reporting period. 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 reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each reporting period and their statements of profit or loss 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, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

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 2023, the carrying amount of goodwill was RMB8,572,000 (2022: RMB8,572,000). Further details are given in note 15 to the financial statements.

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 19 to the financial statements.

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

	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 area. Therefore, the vessels and containers are presented as unallocated non-current assets.

Information about a major customer

No revenue from a major customer accounted for 10% or more of the Group's revenue during the year (2022: Nil).

5. REVENUE, OTHER INCOME AND GAINS

An analysis is as follows:

	2023 RMB'000	2022 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

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2023	**Cross-border logistics services RMB'000**	**Others RMB'000**	**Total RMB'000**
Types of goods or services			
Cross-border logistics services	**996,654**	**–**	**996,654**
Sale of goods	**–**	**23,584**	**23,584**
Total	**996,654**	**23,584**	**1,020,238**
Timing of revenue recognition			
Services transferred over time	**996,654**	**–**	**996,654**
Goods transferred at a point in time	**–**	**23,584**	**23,584**
Total	**996,654**	**23,584**	**1,020,238**
Geographical markets			
Greater China	**731,418**	**23,584**	**755,002**
Others	**265,236**	**–**	**265,236**
Total	**996,654**	**23,584**	**1,020,238**

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(i) *Disaggregated revenue information (continued)*

For the year ended 31 December 2022	Cross-border logistics services *RMB'000*	Others *RMB'000*	Total *RMB'000*
Types of goods or services			
Cross-border logistics services	4,389,175	–	4,389,175
Total	4,389,175	–	4,389,175
Timing of revenue recognition			
Services transferred over time	4,389,175	–	4,389,175
Total	4,389,175	–	4,389,175
Geographical markets			
Greater China	4,140,022	–	4,140,022
Others	249,153	–	249,153
Total	4,389,175	–	4,389,175

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2023 ***RMB'000***	2022 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the year:		
Cross-border logistics services	**19,585**	39,625

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Cross-border logistics services

The revenues from the operation of the integrated cross-border logistics services business are recognised over time, which is determined on the time proportion of each individual vessel voyage completed at the end of the year.

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 90 days from delivery, except for small customers, where payment in advance is normally required.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2023	2022
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
In one year	**2,910**	19,585

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.

	2023	2022
	RMB'000	*RMB'000*
Other income and gains		
Government grants	**895**	571
Interest income	**1,959**	2,081
Foreign exchange gains	**2,007**	6,803
Fair value gains on financial assets at fair value through profit or loss	**202**	–
Others	**647**	52
Total	**5,710**	9,507

6. PROFIT BEFORE TAX

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

	Notes	2023 RMB'000	2022 RMB'000
Cost of services provided		**938,616**	4,025,832
Cost of inventories sold		**23,462**	–
Depreciation of property, plant and equipment	*13*	**39,509**	34,566
Depreciation of right-of-use assets	*14(a)*	**4,853**	4,434
Amortisation of intangible assets	*16*	**402**	375
Impairment of assets held for sale	*18*	**–**	36,450
Impairment of financial assets, net			
– Trade receivables	*19*	**1,524**	9,466
– Other receivables	*20*	**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 (note 8)):			
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.

7. FINANCE COSTS

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

	2023 RMB'000	2022 RMB'000
Interest on bank and other borrowings	**4,812**	4,372
Interest on lease liabilities (note 14(b))	**576**	455
Total	**5,388**	4,827

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023 RMB'000	2022 RMB'000
Fees	**231**	150
Other emoluments:		
Salaries, allowances and benefits in kind	**2,476**	2,293
Performance related bonuses	**112**	1,044
Pension scheme contributions and social welfare	**184**	218
Subtotal	**2,772**	3,555
Total	**3,003**	3,705

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(a) Independent non-executive directors

Mr. Du Haibo, Dr. Gu Lin and Mr. Qi Yinliang were appointed as independent non-executive directors of the Company on 23 August 2023.

The fees paid to independent non-executive directors during the year were as follows:

	2023 ***RMB'000***	2022 *RMB'000*
Independent non-executive directors		
Mr. Du Haibo	**77**	50
Dr. Gu Lin	**77**	50
Mr. Qi Yinliang	**77**	50
Total	**231**	150

There were no other emoluments payable to the independent non-executive directors during the year (2022: Nil).

(b) Executive directors

2023

	Fees ***RMB'000***	**Salaries, allowances and benefits in kind** ***RMB'000***	**Performance-related bonuses** ***RMB'000***	**Pension scheme contributions and social welfare** ***RMB'000***	**Total remuneration** ***RMB'000***
Executive directors:					
Ms. Li Yan	**–**	**738**	**–**	**18**	**756**
Ms. Zhu Jiali	**–**	**384**	**32**	**39**	**455**
Mr. Yu Zhenrong	**–**	**40**	**–**	**–**	**40**
Subtotal	**–**	**1,162**	**32**	**57**	**1,251**
Chief executive:					
Mr. Xu Xin	**–**	**1,314**	**80**	**127**	**1,521**
Total	**–**	**2,476**	**112**	**184**	**2,772**

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors (continued)

2022

	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Performance-related bonuses *RMB'000*	Pension scheme contributions and social welfare *RMB'000*	Total remuneration *RMB'000*
Executive directors:					
Ms. Li Yan	–	1,320	694	54	2,068
Ms. Zhu Jiali	–	360	180	38	578
Mr. Yu Zhenrong	–	–	–	–	–
Subtotal	–	1,680	874	92	2,646
Chief executive:					
Mr. Xu Xin	–	613	170	126	909
Total	–	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 year (2022: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2022: two directors). Details of directors' remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2022: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023	2022
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**2,231**	2,769
Performance-related bonuses	**134**	317
Pension scheme contributions and social welfare	**317**	224
Total	**2,682**	3,310

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	2023	2022
	Number of employees	*Number of employees*
Nil to HK$1,000,000	**4**	–
HK$1,000,001 to HK$1,500,000	**–**	3
Total	**4**	3

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 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 ***RMB'000***	2022 *RMB'000*
Current tax:		
Chinese Mainland	**1,106**	8,598
Hong Kong	**264**	857
Deferred tax (note 26)	**1,711**	(379)
Total tax charge for the year	**3,081**	9,076

10. INCOME TAX (continued)

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 RMB'000	2022 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
Profits and losses attributable to associates	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.

The share of tax attributable to an associate amounted to RMB11,000 (2022: RMB40,000), is included in "Share of loss of an associate" in the consolidated statement of profit or loss.

11. DIVIDENDS

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

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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 described in note 27 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 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 ***RMB'000***	2022 *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

13. PROPERTY, PLANT AND EQUIPMENT

	Containers RMB'000	Vessels RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Electronic equipment RMB'000	Decoration and improvements RMB'000	Total RMB'000
31 December 2023							
At 1 January 2023:							
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	292,668	89,537	4,837	1,106	942	11,248	400,338
At 1 January 2023							
Additions	363	61,566	7,715	399	344	5,007	75,394
Disposals	(17,841)	–	(30)	(20)	–	–	(17,891)
Depreciation provided during the year (note 6)	(24,045)	(4,699)	(2,234)	(302)	(430)	(7,799)	(39,509)
Exchange realignment	4,958	1,514	5	1	4	97	6,579
At 31 December 2023, net of accumulated depreciation	256,103	147,918	10,293	1,184	860	8,553	424,911
At 31 December 2023							
Cost	288,859	159,395	14,836	2,238	3,276	26,549	495,153
Accumulated depreciation	(51,188)	(13,739)	(4,548)	(1,055)	(2,420)	(18,182)	(91,132)
Exchange realignment	18,432	2,262	5	1	4	186	20,890
Net carrying amount	256,103	147,918	10,293	1,184	860	8,553	424,911

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Containers RMB'000	Vessels RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Electronic equipment RMB'000	Decoration and improvements RMB'000	Total RMB'000
31 December 2022							
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	163,889	84,708	3,482	308	855	7,179	260,421
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 18)	(124,126)	–	–	–	–	–	(124,126)
Depreciation provided during the year (note 6)	(23,818)	(2,996)	(1,232)	(123)	(409)	(5,988)	(34,566)
Exchange realignment	15,109	7,825	–	–	–	189	23,123
At 31 December 2022, net of accumulated depreciation	292,668	89,537	4,837	1,106	942	11,248	400,338
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	292,668	89,537	4,837	1,106	942	11,248	400,338

Certain of the Group's vessels with a net carrying amount of approximately RMB33,638,000 (2022: RMB33,955,000), were pledged to secure other borrowings granted to the Group as at 31 December 2023.

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 2 and 5 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 the year are as follows:

	2023 ***RMB'000***	2022 *RMB'000*
As at 1 January	**8,028**	4,504
Additions	**3,970**	7,958
Disposal	**(161)**	–
Depreciation provided (note 6)	**(4,853)**	(4,434)
As at 31 December	**6,984**	8,028

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023 ***RMB'000***	2022 *RMB'000*
Carrying amount at 1 January	**7,989**	5,031
New leases	**3,970**	7,957
Disposal	**(122)**	–
Accretion of interest recognised during the year	**576**	455
Payments	**(5,638)**	(5,454)
Carrying amount at 31 December	**6,775**	7,989

14. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities (continued)

	2023 **RMB'000**	2022 RMB'000
Analysed into:		
Current portion	**4,579**	3,399
Non-current portion	**2,196**	4,590

The maturity analysis of lease liabilities is disclosed in note 37 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2023 **RMB'000**	2022 RMB'000
Interest on lease liabilities	**576**	455
Depreciation charge of right-of-use assets	**4,853**	4,434
Expense relating to short-term leases (in cost of sales)	**14,633**	1,220,697
Total amount recognised in profit or loss	**20,062**	1,225,586

The total cash outflow for leases is disclosed in note 30(c) to the financial statements.

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 22 months.

The rental income recognised by the Group during the year was RMB218,233,000 (2022: RMB218,754,000), details of which are included in note 5 to the financial statements.

As at December 2023, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2023 **RMB'000**	2022 RMB'000
Within one year	**19,833**	133,872

15. GOODWILL

	RMB'000
At 1 January 2022:	
Cost	8,572
Accumulated impairment	–
Net carrying amount	8,572
Cost at 1 January 2022, net of accumulated impairment	8,572
Impairment during the year	–
At 31 December 2022	8,572
At 31 December 2022:	
Cost	8,572
Accumulated impairment	–
Net carrying amount	8,572
Cost at 1 January 2023, net of accumulated impairment	8,572
Impairment during the year	–
Cost and net carrying amount at 31 December 2023	8,572
At 31 December 2023:	
Cost	8,572
Accumulated impairment	–
Net carrying amount	8,572

15. GOODWILL (continued)

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 discount rates applied to the cash flow projections is 14.7% (2022: 14.7%) per annum. The growth rates used to extrapolate the cash flows beyond the five-year period is 2.3% (2022: 2.3%).

The 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 the recoverable amount of the Shanghai Sijin cash-generating unit.

The carrying amount of goodwill allocated to the cash-generating unit is as follows:

	2023 ***RMB'000***	2022 *RMB'000*
Shanghai Sijin	**8,572**	8,572

Assumptions were used in the value-in-use calculation of the Shanghai Sijin cash-generating unit for 31 December 2023 and 31 December 2022. 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.

Long-term growth rates – 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 rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

15. GOODWILL (continued)

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

	2023	2022
Long-term growth rates	**2.30%**	2.30%
Discount rates	**14.7%**	14.7%

Sensitivity to changes in key assumptions:

The management of the Company has performed sensitivity test by decreasing 1% of long-term growth rates or increasing 1% of discount rates, with all other assumptions held constant. The impacts on the amount by which the Shanghai Sijin cash-generating unit's recoverable amount exceeds its carrying amount (headroom) are as follows:

	2023 ***RMB'000***	2022 *RMB'000*
Headroom	**4,227**	7,154
Impact by decreasing long-term growth rates	**(835)**	(1,595)
Impact by increasing discount rates	**(1,825)**	(2,593)

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 the Shanghai Sijin cash-generating unit to exceed its recoverable amount as at 31 December 2023.

The goodwill had been tested for impairment as at 31 December 2023. The directors of the Company concluded there were no significant changes on the key assumptions adopted compared with those used when completing the impairment assessment of the goodwill as at 31 December 2023 and were of the opinion that there was no impairment provision as at 31 December 2023.

16. INTANGIBLE ASSETS

	Software RMB'000
31 December 2023	
Cost at 1 January 2023, net of accumulated amortisation	**2,127**
Additions	**142**
Amortisation provided during the year (note 6)	**(402)**
At 31 December 2023	**1,867**
At 31 December 2023:	
Cost	**6,873**
Accumulated amortisation	**(5,006)**
Net carrying amount	**1,867**
31 December 2022	
Cost at 1 January 2022, net of accumulated amortisation	2,248
Additions	254
Amortisation provided during the year (note 6)	(375)
At 31 December 2022	2,127
At 31 December 2022:	
Cost	6,731
Accumulated amortisation	(4,604)
Net carrying amount	2,127

17. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 RMB'000	2022 RMB'000
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investments, at fair value	**2,300**	2,391

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.

18. ASSETS HELD FOR SALE

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	**86,557**	–
Transferred from property, plant and equipment (note 13)	**–**	124,126
Disposals	**(13,166)**	–
Impairment losses recognised	**–**	(36,450)
Exchange realignment	**1,468**	(1,119)
At 31 December	**74,859**	86,557

The movements in provision for impairment of assets held for sale are as follows:

	2023 RMB'000	2022 RMB'000
At the beginning of the year	**36,450**	–
Disposals	**(5,693)**	–
Impairment losses recognised (note 6)	**–**	36,450
At the end of the year	**30,757**	36,450

The assets held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

19. TRADE RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	**106,623**	164,979
Impairment	**(17,363)**	(15,839)
Net carrying amount	**89,260**	149,140

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 the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2023 RMB'000	2022 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

The movements in the loss allowance for impairment of trade receivables are as follows:

	2023 RMB'000	2022 RMB'000
At beginning of year	**15,839**	6,373
Impairment losses, net (note 6)	**1,524**	9,466
At end of year	**17,363**	15,839

19. TRADE RECEIVABLES (continued)

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 2023

	Past due					
	Less than 1 month	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Over 1 year**	**Total**
Expected credit loss rate	**1.19%**	**4.73%**	**9.40%**	**34.69%**	**100.00%**	**15.29%**
Gross carrying amount (RMB'000)	**42,009**	**15,319**	**8,672**	**2,136**	**8,913**	**77,049**
Expected credit losses (RMB'000)	**500**	**724**	**815**	**741**	**8,913**	**11,693**

31 December 2022

	Past due					
	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
Expected credit loss rate	0.62%	1.43%	6.68%	48.26%	100.00%	3.64%
Gross carrying amount (RMB'000)	42,050	58,072	26,800	3,705	86	130,713
Expected credit losses (RMB'000)	261	828	1,790	1,788	86	4,753

The Group recognises lifetime ECLs for trade receivables relating to a customer and measures the lifetime ECLs on a specific basis according to management's assessment of the recoverability of the individual receivables, with a gross carrying amount of RMB29,574,000 (2022: RMB34,266,000) and expected credit losses of RMB5,670,000 (2022: RMB11,086,000).

20. PREPAYMENTS AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Prepayments (a)	584,925	406,543
Consideration receivables for disposal of containers	4,034	1,392
Deposits	10,795	9,145
Dividend receivable	835	835
Other tax recoverable	954	482
Loan to a non-controlling shareholder of a subsidiary	8,463	–
Others	2,969	8,909
	612,975	427,306
Impairment allowance	(1,751)	(849)
	611,224	426,457
Analysed into:		
Current portion	30,355	49,276
Non-current portion	580,869	377,181

(a) Prepayments for the purchase of vessels and a loan to a non-controlling shareholder of a subsidiary are presented as non-current assets.

(b) Except for the loan to a non-controlling shareholder of a subsidiary, 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:

	2023 RMB'000	2022 RMB'000
At beginning of year	849	1,472
Impairment losses recognised/(reversed) (note 6)	902	(623)
At end of year	1,751	849

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	2022
	RMB'000	*RMB'000*
Unlisted equity investments, at fair value	**9,970**	6,368

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.

22. CASH AND BANK BALANCES

	2023	2022
	RMB'000	*RMB'000*
Cash and bank balances	**207,887**	339,991
Less: Pledged deposits	**4,214**	–
Cash and cash equivalents	**203,673**	339,991

As at 31 December 2023, the pledged deposits amounting to RMB4,214,000 (2022: Nil) were pledged as security for letters of credit.

	2023	2022
	RMB'000	*RMB'000*
Cash and bank balances:		
Denominated in RMB	**19,764**	45,495
Denominated in USD	**59,989**	294,495
Denominated in JPY	**–**	1
Denominated in MGA	**468**	–
Denominated in HKD	**127,666**	–
Total	**207,887**	339,991

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB19,764,000 (2022: RMB45,495,000). The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and 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.

23. TRADE PAYABLES

An ageing analysis of the trade and bills 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

The trade payables are non-interest-bearing and are normally settled on the terms of 30 to 60 days.

24. OTHER PAYABLES AND ACCRUALS

	2023	2022
	RMB'000	*RMB'000*
Contract liabilities (a)	**2,910**	19,585
Deposits	**7,439**	6,000
Payroll and welfare payables	**5,804**	11,615
Payables for purchase of containers	**4,383**	45,432
Other tax payables	**257**	405
Due from non-controlling shareholders of subsidiaries	**15,185**	–
Others	**14,487**	43,756
	50,465	126,793

Notes:

(a) Details of contract liabilities are as follows:

	2023	2022
	RMB'000	*RMB'000*
Short-term advances received from customers		
Cross-border logistics services	**2,910**	19,585
Total contract liabilities	**2,910**	19,585

Contract liabilities include short-term advance payments received from the customers of the cross-border logistics services, which will be recognised as revenue as the performance obligation is satisfied within one year.

(b) Other payables are interest free and has no fixed terms of repayment.

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2023			31 December 2022		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	3.25-3.65	2024	10,000	3.65-3.70	2023	10,000
Current portion of other long-term loans – secured	11.81	2024	20,024	11.81	2023	17,514
Current portion of other long-term loans – unsecured	4.35	2024	21,242	–	–	–
Subtotal			51,266			27,514
Non-current						
Other loans – secured	–	–	–	11.81	2024	19,384
Other loans – unsecured	–	–	–	4.35	2024	20,032
Subtotal			–			39,416
Total			51,266			66,930

	2023 RMB'000	2022 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	10,000	10,000
Other borrowings repayable:		
Within one year	41,266	17,514
In the second year	–	39,416
	41,266	56,930
	51,266	66,930

25. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Except for the borrowings in the amount of RMB41,266,000 denominated in USD, the remaining borrowings of the Group were denominated in RMB as at 31 December 2023 (2022: RMB56,930,000).

All of the Group's bank and other borrowings bear interest at fixed interest rates as at 31 December 2023.

Certain of the bank and other borrowings up to RMB10,000,000 were guaranteed by a non-controlling shareholder of a subsidiary and independent third parties as at 31 December 2023 (2022: RMB10,000,000).

Certain of the bank and other borrowings up to RMB20,024,000 were secured by mortgages over the container vessels at 31 December 2023 (2022: RMB36,898,000).

26. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Fair value adjustments arising from business combinations *RMB'000*	Right-of-use assets *RMB'000*	Total *RMB'000*
At 1 January 2023	553	1,651	2,204
Deferred tax credited to profit or loss during the year	(87)	(165)	(252)
At 31 December 2023	466	1,486	1,952

Deferred tax assets

	Lease liability *RMB'000*	Fair value adjustments arising from financial assets at FVTPL *RMB'000*	Accrued expenses *RMB'000*	Fair value adjustments of equity investments at fair value through other comprehensive income *RMB'000*	Losses available for offsetting against future taxable profits *RMB'000*	Impairment of financial assets *RMB'000*	Total *RMB'000*
At 1 January 2023	1,601	58	1,058	28	1,103	1,114	4,962
Deferred tax charged to other comprehensive income	–	–	–	(28)	–	–	(28)
Deferred tax charged to profit or loss during the year	(154)	(58)	(1,053)	–	(413)	(285)	(1,963)
At 31 December 2023	1,447	–	5	–	690	829	2,971

26. DEFERRED TAX (continued)

Deferred tax liabilities

	Fair value adjustments arising from business combinations *RMB'000*	Right-of-use assets *RMB'000*	Total *RMB'000*
At January 2022	641	1,041	1,682
Deferred tax (credited)/charged to profit or loss during the year	(88)	610	522
At 31 December 2022	553	1,651	2,204

Deferred tax assets

	Lease liability *RMB'000*	Fair value adjustments arising from financial assets at FVTPL *RMB'000*	Accrued expenses *RMB'000*	Fair value adjustments of equity investments at fair value through other comprehensive income *RMB'000*	Losses available for offsetting against future taxable profits *RMB'000*	Impairment of financial assets *RMB'000*	Total *RMB'000*
At 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 year	433	58	1,058	–	(324)	(324)	901
At 31 December 2022	1,601	58	1,058	28	1,103	1,114	4,962

26. DEFERRED TAX (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances for financial reporting purposes:

	2023 RMB'000	2022 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**1,175**	3,010
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(156)**	(252)

Deferred tax assets have not been recognised in respect of the following item:

	2023 RMB'000	2022 RMB'000
Tax losses	**65,062**	3,987

The Group had tax losses arising in Chinese Mainland of RMB2,759,000 as at 31 December 2023 (2022: RMB11,717,000), that will expire in one to five years for offsetting against future taxable profits of the entities in which the losses arose.

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008. The applicable tax rate is 5% for the Group.

As at 31 December 2023, 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 Chinese Mainland. In the opinion of the directors of the Company, the Group's fund will be retained in Chinese Mainland for the expansion of the Group's operations 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 for which deferred tax liabilities have not been recognised totalled approximately RMB942,986,000 as at 31 December 2023 (2022: RMB816,836,000).

27. SHARE CAPITAL

Shares

	31 December 2023 RMB'000	31 December 2022 RMB'000
Issued and fully paid:		
286,269,156 (2022: 42,590,526) ordinary shares of USD0.0001	**205**	29

A summary of movements in the Company's share capital is as follows:

	Notes	Number of shares in issue	Share capital *RMB'000*
At 1 January 2022		–	–
Issue of ordinary shares	*(a)*	42,164,522	28
Issue of ordinary shares upon swap agreement	*(b)*	426,004	1
At 31 December 2022 and 1 January 2023		**42,590,526**	**29**
Issue of ordinary shares upon capitalisation	*(c)*	**212,952,630**	**153**
Issue of ordinary shares upon listing	*(c)*	**28,390,000**	**21**
Issue of ordinary shares upon over-allotment option	*(d)*	**2,336,000**	**2**
At 31 December 2023		**286,269,156**	**205**

(a) On the date of the Company's 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 Yan. For the purpose of reflecting the then shareholding structure of Shandong Lcang before the reorganisation 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.

(b) 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 the Company's 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.

(c) In connection with the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), 28,390,000 ordinary shares of USD0.0001 each were issued at a price of HKD5.13 per share for a total cash consideration, before expenses, of approximately HKD145,641,000 (equivalent to RMB133,633,000). In addition, 212,952,630 shares were issued by way of capitalisation. Dealings in the shares of the Company on the Stock Exchange commenced on 22 September 2023.

(d) On 18 October 2023, the Company issued 2,336,000 ordinary shares of USD0.0001 each at an offer price of HKD5.13 per share pursuant to the partial exercise of the over-allotment option in connection with the Company's initial public offering.

28. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement 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 investments designated at FVOCI.

(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.

29. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2023	2022
Percentage of equity interest held by non-controlling interests:		
Shandong Lcang	**1%**	1%
LC WESTERN	**21%**	–
LCAW SHIPPING	**50%**	–

29. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

	2023	2022
Profit/(loss) for the year allocated to non-controlling interests:		
Shandong Lcang	**1,418**	5,024
LC WESTERN	**(206)**	–
LCAW SHIPPING	**(285)**	–
Accumulated balances of non-controlling interests at the reporting date:		
Shandong Lcang	**11,542**	10,144
LC WESTERN	**4,492**	–
LCAW SHIPPING	**8,368**	–

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2023	**Shandong Lcang** ***RMB'000***	**LC WESTERN** ***RMB'000***	**LCAW SHIPPING** ***RMB'000***
Revenue	**1,238,471**	**4,772**	**2,529**
Total expenses	**(1,109,509)**	**(5,787)**	**(3,039)**
Profit/(loss) for the year	**128,962**	**(1,015)**	**(510)**
Total comprehensive income/(loss) for the year	**133,694**	**(976)**	**(569)**
Current assets	**205,329**	**22,015**	**34,177**
Non-current assets	**1,025,979**	**6**	**–**
Current liabilities	**(126,934)**	**(22)**	**(6,358)**
Non-current liabilities	**(2,352)**	**–**	**–**
Net cash flows from/(used in) operating activities	**41,450**	**(991)**	**(774)**
Net cash flows used in investing activities	**(295,458)**	**(1)**	**(24,630)**
Net cash flows (used in)/from financing activities	**(13,826)**	**22,975**	**28,388**
Effect of foreign exchange rate changes, net	**1,244**	**–**	**–**
Net (decrease)/increase in cash and cash equivalents	**(266,590)**	**21,983**	**2,984**

29. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

2022	Shandong Lcang *RMB'000*
Revenue	4,607,929
Total expenses	(4,221,368)
Profit for the year	386,561
Total comprehensive income for the year	471,506
Current assets	772,465
Non-current assets	803,781
Current liabilities	(575,310)
Non-current liabilities	(46,211)
Net cash flows from operating activities	586,134
Net cash flows used in investing activities	(489,249)
Net cash flows from financing activities	24,288
Effect of foreign exchange rate changes, net	20,403
Net increase in cash and cash equivalents	141,576

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB2,981,000 (2022: RMB7,957,000) and RMB2,981,000 (2022: RMB7,957,000), 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 Xin 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 Xin 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 (ii) prior to the transfer of the Relevant Shares, Mr. Xu Xin 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.

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings *RMB'000*	Lease liabilities *RMB'000*	Due to related parties *RMB'000*
At 1 January 2023	**66,930**	**7,989**	**9,711**
Changes from financing cash flows	**(17,212)**	**(5,638)**	**(9,711)**
Disposals	**–**	**(122)**	**–**
Interest paid	**(3,264)**	**–**	**–**
Interest expense	**4,812**	**576**	**–**
New leases	**–**	**3,970**	**–**
At 31 December 2023	**51,266**	**6,775**	**–**
At 1 January 2022	90,040	5,031	3,097
Changes from financing cash flows	(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	–
At 31 December 2022	66,930	7,989	9,711

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2023 *RMB'000*	2022 *RMB'000*
Within operating activities	**15,622**	1,216,166
Within financing activities	**5,638**	5,454
Total	**21,260**	1,221,620

31. CONTINGENT LIABILITIES

During the year ended 31 December 2023 there are no contingent liabilities in the financial statements (2022: Nil).

32. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans and other loans, and pledged for the issuance of letters of credit are included in notes 25 and 22, respectively, to the financial statements.

33. COMMITMENTS

	2023 ***RMB'000***	2022 *RMB'000*
Contracted but not provided for:		
Container vessels	**1,393,167**	1,508,722
Unlisted equity investments	**–**	3,400
	1,393,167	1,512,122

34. RELATED PARTY TRANSACTIONS

(a) Name of related parties and relationship with the Group

Name of related parties	**Relationship with the Group**
許昕 ("Mr. Xu Xin")	Controlling shareholder
李艷 ("Ms. Li Yan")	Controlling shareholder
朱佳麗 ("Ms. Zhu Jiali")	Director of the Group
上海融倉供應鏈有限公司 ("Shanghai Rongcang Supply Chain Co., Ltd.")	Associate of the Group
樂艙網國際物流(無錫)有限公司 ("Lecang International Logistics (Wuxi) Co., Ltd.")	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
青島樂艙科技有限公司 ("Qingdao Lecang Technology Co., Ltd.")	Company controlled by a controlling shareholder

34. RELATED PARTY TRANSACTIONS (continued)

(b) In addition to the transactions detailed in note 30 (a) to the financial statements, the Group had the following transactions with related parties during the reporting period:

	2023 RMB'000	2022 RMB'000
Advances to related parties		
Ms. Zhu Jiali	–	50
Qingdao Lecang Technology Co., Ltd.	–	462
Total	–	512
Repayment of advances to related parties		
Ms. Li Yan	–	3
Ms. Zhujiali	50	–
Qingdao Lecang Technology Co., Ltd.	462	–
Qingdao Hongyi Enterprise Management Partnership (Limited Partnership)	119	–
Total	631	3
Advances from a related party		
Mr. Xu Xin	–	90
Repayment of advances from related parties		
Mr. Xu Xin	–	114
Shanghai Rongcang Supply Chain Co.,Ltd.	–	3,072
Qingdao Anjialian Network Technology Co.,Ltd.	–	1
Total	–	3,187

	2023 RMB'000	2022 RMB'000
Revenue from a related party		
Lecang International Logistics (Wuxi) Co., Ltd.	138	–

These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

34. RELATED PARTY TRANSACTIONS (continued)

(c) Outstanding balances with related parties

	2023 RMB'000	2022 RMB'000
Due from related parties:		
Lecang International Logistics (Wuxi) Co., Ltd.	**52**	–
Qingdao Hongyi Enterprise Management Partnership (Limited Partnership)	**–**	119
Ms. Zhu Jiali	**–**	50
Qingdao Lecang Technology Co., Ltd.	**–**	462
Total	**52**	631

	2023 RMB'000	2022 RMB'000
Due to a related party:		
Mr. Xu Xin	**–**	9,711

(d) Compensation of key management personnel of the Group

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	**3,865**	4,146
Performance-related bonuses	**178**	1,536
Pension scheme contributions and social welfare	**463**	484
Total compensation paid to key management personnel	**4,506**	6,166

Further details of directors' emoluments are included in note 8 to the financial statements.

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

31 December 2023

Financial assets

	Financial assets at fair value through profit or loss	Equity investments designated at fair value through other comprehensive income		
	Mandatorily designated as such *RMB'000*	Equity investments *RMB'000*	Financial assets at amortised cost *RMB'000*	Total *RMB'000*
Financial assets included in prepayments and other receivables	–	–	25,345	25,345
Financial assets at fair value through profit or loss (note 21)	9,970	–	–	9,970
Equity investments at fair value through other comprehensive income (note 17)	–	2,300	–	2,300
Trade receivables (note 19)	–	–	89,260	89,260
Due from a related party (note 34)	–	–	52	52
Pledged deposits	–	–	4,214	4,214
Cash and cash equivalents (note 22)	–	–	203,673	203,673
Total	9,970	2,300	322,544	334,814

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade payables (note 23)	172,398
Financial liabilities included in other payables and accruals	39,520
Interest-bearing bank and other borrowings (note 25)	51,266
Total	263,184

35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

31 December 2022

Financial assets

	Financial assets at fair value through profit or loss	Equity investments designated at fair value through other comprehensive income		
	Mandatorily designated as such RMB'000	Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial assets included in prepayments and other receivables	–	–	19,432	19,432
Financial assets at fair value through profit or loss (note 21)	6,368	–	–	6,368
Equity investments at fair value through other comprehensive income (note 17)	–	2,391	–	2,391
Trade receivables (note 19)	–	–	149,140	149,140
Due from a related party (note 34)	–	–	631	631
Cash and cash equivalents (note 22)	–	–	339,991	339,991
Total	6,368	2,391	509,194	517,953

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables (note 23)	336,390
Financial liabilities included in other payables and accruals	71,215
Interest-bearing bank and other borrowings (note 25)	66,930
Due to a related party (note 34)	9,711
Total	484,246

36. 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	
	2023	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial assets				
Financial assets at fair value through profit or loss	**9,970**	6,368	**9,970**	6,368
Equity investments designated at fair value through other comprehensive income	**2,300**	2,391	**2,300**	2,391
Total	**12,270**	8,759	**12,270**	8,759

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, trade payables, financial assets included in prepayments and other receivables, 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 Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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 fair values of financial assets at fair value through profit or loss have been estimated by using the asset-based approach, the significant unobservable inputs of which is the adjusted carrying amount of net assets.A significant increase in the adjusted carrying amount of net assets would result in a significant increase in the fair value of the financial assets at fair value through profit or loss. 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 profit for the year would have been approximately RMB996,000 lower/higher (2022: RMB637,000). The fair values of other unlisted investments are based on quoted market prices.

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The fair value of the unlisted equity investments designated at fair value through other comprehensive income has been estimated using a market based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate the ratio of price to book value ("P/B ratio") for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. 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 the reporting period.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2023 and 2022:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average P/B multiple of peers	1.61 (2022: 1.62)	5% (2022: 5%) increase/ decrease in multiple would result in increase/decrease in fair value by RMB115,000 (2022: RMB115,000))
		Discount for lack of marketability	37.85% (2022: 37.85%)	5% (2022: 5%) increase/ decrease in discount would result in decrease/increase in fair value by RMB70,000 (2022: RMB70,000))

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

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 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	**Significant observable inputs (Level 2)** *RMB'000*	**Significant unobservable inputs (Level 3)** *RMB'000*	**Total** *RMB'000*
Equity investments designated at fair value through other comprehensive income	**–**	**–**	**2,300**	**2,300**
Financial assets at fair value through profit or loss	**–**	**–**	**9,970**	**9,970**
Total	**–**	**–**	**12,270**	**12,270**

31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Equity investments designated at fair value through other comprehensive income	–	–	2,391	2,391
Financial assets at fair value through profit or loss	–	–	6,368	6,368
Total	–	–	8,759	8,759

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

***Assets measured at fair value:** (continued)*

The movements in fair value measurements within Level 3 during the year are as follows:

	2023 **RMB'000**	2022 RMB'000
Equity investments at FVTPL and FVOCI:		
At 1 January	**8,759**	3,300
Purchase	**3,400**	3,300
Total gains included in other income recognised in the statement of profit or loss	**202**	(232)
Total gains recognised in other comprehensive income	**(91)**	141
Transfers out of Level 2 (a)	**–**	2,250
At 31 December	**12,270**	8,759

(a) 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 year ended 31 December 2023 (2022: equity investments designated at FVOCI being transferred out of Level 2 and transferred into Level 3 with an amount of RMB2,250,000).

Equity investments were transferred from Level 2 to Level 3 because observable recent transaction became unavailable for the unlisted investments.

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 31 December 2023 and 2022.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include financial assets included in trade receivables, amounts due from related parties, financial assets included in prepayments and other receivables, cash and cash equivalents, and financial liabilities included in other payables and accruals, which arise directly from its operations. The Group has other financial assets and liabilities such as pledged deposits and 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. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's exposure to risk of changes in market interest rates relates primarily to the Group's other borrowings as set out in note 25. 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.

The following table demonstrates the sensitivity at the end of each reporting period to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group's profit before tax (arising from USD denominated financial instruments).

	Increase/(decrease) in rate	**Increase/(decrease) in profit before tax**
	%	***RMB'000***
2023		
If RMB weakens against USD	**(5)**	**1,728**
If RMB strengthens against USD	**5**	**(1,728)**

	Increase/(decrease) in rate	Increase/(decrease) in profit before tax
	%	*RMB'000*
2022		
If RMB weakens against USD	(5)	3,135
If RMB strengthens against USD	5	(3,135)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating units, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

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.

The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	29,574	77,049	106,623
Financial assets included in prepayments and other receivables – Normal**	27,096	–	–	–	27,096
Pledged deposits					
– Not yet past due	4,214				4,214
Due from a related party**	52	–	–	–	52
Cash and cash equivalents					–
– Not yet past due	203,673	–	–	–	203,673
Total	235,035	–	29,574	77,049	341,658

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging *(continued)*

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Trade receivables*	–	–	34,266	130,713	164,979
Financial assets included in prepayments and other receivables – Normal**	20,281	–	–	–	20,281
Due from related parties**	631	–	–	–	631
Cash and cash equivalents – Not yet past due	339,991	–	–	–	339,991
Total	360,903	–	34,266	130,713	525,882

* For trade receivables to which the Group applied the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the financial statements.

** 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".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 reporting period, based on the contractual undiscounted payments, was as follows:

31 December 2023

	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*
Lease liabilities	**1,559**	**3,428**	**2,351**	**7,338**
Interest-bearing bank and other borrowings	**7,214**	**47,187**	**–**	**54,401**
Trade payables (note 23)	**172,398**	**–**	**–**	**172,398**
Other payables and accruals	**39,520**	**–**	**–**	**39,520**
Total	**220,691**	**50,615**	**2,351**	**273,657**

31 December 2022

	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*
Lease liabilities	1,182	3,545	4,740	9,467
Interest-bearing bank and other borrowings	8,688	23,983	41,935	74,606
Trade payables (note 23)	336,390	–	–	336,390
Other payables and accruals	71,215	–	–	71,215
Due to a related party (note 34)	9,711	–	–	9,711
Total	427,186	27,528	46,675	501,389

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 and the risk characteristics of the underlying assets. 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 is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 31 December 2022.

The Group monitors capital using a gearing ratio, which is the sum of interest-bearing borrowings and an amount due to a related party divided by total equity. The gearing ratios as at the end of the reporting periods were as follows:

	2023 ***RMB'000***	2022 *RMB'000*
Interest-bearing bank and other borrowings (note 25)	**51,266**	66,930
Due to a related party (note 34)	**–**	9,711
Total	**51,266**	76,641
Total equity	**1,164,403**	891,179
Gearing ratio	**4.40%**	8.60%

38. EVENTS AFTER THE REPORTING PERIOD

There is no significant subsequent event undertaken by the Company after 31 December 2023.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023	2022
	RMB'000	*RMB'000*
NON-CURRENT ASSETS		
Investments in subsidiaries	**8,390**	8,390
Total non-current assets	**8,390**	8,390
CURRENT ASSETS		
Prepayments and other receivables	**30**	29
Cash and bank balances	**127,539**	–
Total current assets	**127,569**	29
CURRENT LIABILITIES		
Due to a related party	**3,297**	–
Total current liabilities	**3,297**	–
NET CURRENT ASSETS	**124,272**	29
NET ASSETS	**132,662**	8,419
EQUITY		
Equity attributable to owners of the parent		
Share capital	**205**	29
Reserves	**132,457**	8,390
TOTAL EQUITY	**132,662**	8,419

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share capital *RMB'000* Note 27	Share premium *RMB'000*	Exchange fluctuation reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
Balance at 1 January 2022	–	–	–	–	–
Issue of shares	29	8,390	–	–	8,419
At 31 December 2022 and 1 January 2023	29	8,390	–	–	8,419
Total comprehensive loss for the year	–	–	(1,749)	(9,117)	(10,866)
Issue of shares	176	144,451	–	–	144,627
Share issue expenses	–	(9,518)	–	–	(9,518)
At 31 December 2023	205	143,323	(1,749)	(9,117)	132,662

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2024.

	Years ended 31 December			
	2023	2022	2021	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**1,238,471**	4,607,929	4,195,393	781,524
Cost of sales	**(1,011,853)**	(4,062,629)	(3,738,556)	(717,738)
Gross profit	**226,618**	545,300	456,837	63,786
Other income and gains	**5,710**	9,507	23,731	9,819
Selling and distribution expenses	**(17,366)**	(18,608)	(14,686)	(9,839)
Administrative expenses	**(83,083)**	(87,141)	(49,816)	(28,914)
Other expenses	**(1,351)**	(3,396)	(4,154)	(84)
Finance costs	**(5,388)**	(4,827)	(8,033)	(3,809)
Impairment losses on assets held for sale	**–**	(36,450)	–	–
Impairment losses on financial assets	**(2,426)**	(8,843)	(2,116)	(1,135)
Share of loss of an associate	**(46)**	(159)	5,960	281
Profit before tax	**122,668**	395,383	407,723	30,105
Income tax expense	**(3,081)**	(9,076)	(15,685)	(2,565)
PROFIT FOR THE YEAR	**119,587**	386,307	392,038	27,540
Attributable to:				
Owners of the parent	**118,877**	380,944	384,085	25,521
Non-controlling interests	**710**	5,363	7,953	2,019
	119,587	386,307	392,038	27,540

Financial Summary

	As at 31 December			
	2023	2022	2021	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets	**1,026,813**	801,828	294,040	140,590
Current assets	**418,674**	638,679	839,546	185,971
Total assets	**1,445,487**	1,440,507	1,133,586	326,561
EQUITY AND LIABILITIES				
Total equity	**1,164,403**	891,179	481,965	106,708
Non-current liabilities	**2,352**	44,258	25,454	15,113
Current liabilities	**278,732**	505,070	626,167	204,740
Total liabilities	**281,084**	549,328	651,621	219,853
Total equity and liabilities	**1,445,487**	1,440,507	1,133,586	326,561

Glossary and Definition

"2024 AGM"	the annual general meeting of the Company to be held on 20 May 2024
"Articles of Association"	the amended and restated articles of association of the Company, conditionally adopted on 23 August 2023 which came into effect upon Listing
"Audit Committee"	the audit committee of the Company
"Board"	The board of Directors
"CG Code"	Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"China" or "PRC"	the People's Republic of China, but for the purpose of this report and for geographical reference only and except where the context requires otherwise, references in this report to "China" and the "PRC" do not apply to Hong Kong, Macao and Taiwan
"cross-border logistics"	products transfer among countries around the globe
"customs clearance"	the process of declaring imports and exports to customs and related authorities for approval
"Directors"	director(s) of the Company
"Group"	the Company and its subsidiaries
"**LC Logistics**" or "**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 27 July 2022
"Listing"	the listing of the Company on the main board of the Stock Exchange on 25 September 2023
"Listing Date"	the date of listing of the Company on the main board of the Stock Exchange i.e. 25 September 2023
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"Nomination Committee"	the nomination committee of the Company

Glossary and Definition

"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 25 May 2015, which is owned as to 60% by Mr. Xu Xin, 25% by Ms. Li Yan and 15% by Ms. Liu Quanxiang, our ultimate Controlling Shareholders
"Remuneration Committee"	the remuneration committee of the Company
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"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 16 November 2004 and converted into a joint-stock company with limited liability on 27 November 2015 and an indirect non-wholly owned subsidiary of the Company
"Share(s)"	ordinary share(s) in the capital of the Company with the nominal value of US$0.0001 each
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"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
"ultra large container vessel"	a cargo ship with a capacity of 14,000 to 24,000 TEUs that carries all of its load in truck-size intermodal containers