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**LC Logistics, Inc.**

**乐舱物流股份有限公司**

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

**(Stock Code: 2490)**

## **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024**

### **FINANCIAL AND OPERATION HIGHLIGHT**

- Revenue for the six months ended 30 June 2024 was RMB754.2 million.
- Profit for the six months ended 30 June 2024 was RMB12.8 million.
- Basic earnings per share for the six months ended 30 June 2024 was RMB0.03.
- Container shipping volume of cross-border logistics services for the six months ended 30 June 2024 was 140,355 TEUs.

### **INTERIM RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) of LC Logistics, Inc. (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2024 (the “**Period**”) with comparative figures for the six months ended 30 June 2023. These interim results have been prepared in accordance with International Financial Reporting Standards (the “**IFRSs**”) and have also been reviewed by the audit committee of the Company (the “**Audit Committee**”).

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 June 2024*

	<i>Notes</i>	<b>30 June 2024 (Unaudited) RMB'000</b>	30 June 2023 (Unaudited) RMB'000
<b>REVENUE</b>	4	<b>754,238</b>	655,843
Cost of sales		<u><b>(686,134)</b></u>	<u>(507,509)</u>
<b>GROSS PROFIT</b>		<b>68,104</b>	148,334
Other income and gains		<b>5,021</b>	1,114
Selling and distribution expenses		<b>(9,127)</b>	(8,257)
Administrative expenses		<b>(45,730)</b>	(29,092)
Other expenses		<b>(5,270)</b>	(2,065)
Finance costs	6	<b>(4,198)</b>	(3,255)
Impairment losses on financial assets, net		<b>4,205</b>	(3,587)
Share of losses of associates		<u>–</u>	<u>(73)</u>
<b>PROFIT BEFORE TAX</b>	5	<b>13,005</b>	103,119
Income tax (expense)/credit	7	<u><b>(199)</b></u>	<u>1,936</u>
<b>PROFIT FOR THE PERIOD</b>		<u><b>12,806</b></u>	<u>105,055</u>
Attributable to:			
Owners of the parent		<b>9,393</b>	104,126
Non-controlling interests		<u><b>3,413</b></u>	<u>929</u>
		<u><b>12,806</b></u>	<u>105,055</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	9		
Basic and diluted		<u><b>RMB0.03</b></u>	<u>RMB0.41</u>

	<b>30 June 2024 (Unaudited) RMB'000</b>	30 June 2023 (Unaudited) RMB'000
<b>PROFIT FOR THE PERIOD</b>	<b>12,806</b>	105,055
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	<u>8,808</u>	<u>12,723</u>
	<b>8,808</b>	12,723
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>8,808</u>	<u>12,723</u>
Other comprehensive 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	<b>628</b>	644
Income tax effect	<u>-</u>	<u>(161)</u>
	<b>628</b>	483
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>628</u>	<u>483</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<u><b>9,436</b></u>	<u>13,206</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u><b>22,242</b></u>	<u>118,261</u>
Attributable to:		
Owners of the parent	<b>16,239</b>	117,192
Non-controlling interests	<u>6,003</u>	<u>1,069</u>
	<u><b>22,242</b></u>	<u>118,261</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*For the six months ended 30 June 2024*

	<i>Notes</i>	<b>30 June 2024 (Unaudited) RMB'000</b>	31 December 2023 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Prepayments and other receivables		572,405	580,869
Property, plant and equipment		402,054	424,911
Right-of-use assets		85,885	6,984
Goodwill		8,572	8,572
Intangible assets		1,718	1,867
Investment in an associate		135	135
Equity investments designated at fair value through other comprehensive income		2,928	2,300
Deferred tax assets		1,315	1,175
		<b>1,075,012</b>	<b>1,026,813</b>
<b>CURRENT ASSETS</b>			
Inventories		14,038	5,383
Assets held for sales		66,256	74,859
Trade receivables	<i>10</i>	155,598	89,260
Due from related parties		834	52
Prepayments and other receivables		73,141	30,355
Income tax recoverable		849	908
Financial assets at fair value through profit or loss		9,936	9,970
Cash and bank balances		181,810	207,887
		<b>502,462</b>	<b>418,674</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>11</i>	195,216	172,398
Other payables and accruals		77,348	50,465
Interest-bearing bank and other borrowings		22,783	51,266
Tax payable		241	24
Lease liabilities		29,518	4,579
		<b>325,106</b>	<b>278,732</b>
<b>NET CURRENT ASSETS</b>		<b>177,356</b>	<b>139,942</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,252,368</b>	<b>1,166,755</b>

	<b>30 June 2024 (Unaudited) RMB'000</b>	31 December 2023 (Audited) RMB'000
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	63,736	2,196
Deferred tax liabilities	244	156
	<hr/>	<hr/>
Total non-current liabilities	<b>63,980</b>	2,352
	<hr/>	<hr/>
<b>Net assets</b>	<b><u>1,188,388</u></b>	<b><u>1,164,403</u></b>
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	205	205
Reserves	1,150,925	1,134,686
	<hr/>	<hr/>
	<b>1,151,130</b>	1,134,891
	<hr/>	<hr/>
<b>Non-controlling interests</b>	<b>37,258</b>	29,512
	<hr/>	<hr/>
<b>Total equity</b>	<b><u>1,188,388</u></b>	<b><u>1,164,403</u></b>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 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 period, 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 Xin, Ms. Li Yan and Ms. Liu Quanxiang by virtue of the acting in concert deed.

## 2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> <i>(the "2020 Amendments")</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

The nature and impact of the revised IFRSs are described below:

- (a) 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. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) 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 Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

- (c) 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. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

## 3. 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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Greater China	697,642	500,918
Others	56,596	154,925
	<u>754,238</u>	<u>655,843</u>

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

#### (b) Non-current assets

The vessels and containers (included in property, plant and equipment) are primarily utilised across geographical markets for shipment of cargoes around the world. Accordingly, it is impractical to present the locations of the vessels and containers by geographical areas. Therefore, the vessels and containers are presented as unallocated non-current assets.

### Information about a major customer

No revenue from a major customer accounted for 10% or more of the Group's revenue during the six months ended 30 June 2024 (six months ended 30 June 2023: RMB65,788,000).

#### 4. REVENUE

An analysis of revenue is as follows:

	<b>For the six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<i>Revenue from contracts with customers</i>	<b>713,895</b>	503,613
<i>Revenue from other sources</i>		
Time charter income	<b>40,343</b>	152,230
Total	<b>754,238</b>	655,843

#### 5. PROFIT BEFORE TAX

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

	<b>For the six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Cost of service provided	<b>641,769</b>	502,575
Cost of inventories sold	<b>24,726</b>	4,934
Depreciation of property, plant and equipment	<b>22,906</b>	20,820
Depreciation of right-of-use assets	<b>15,085</b>	2,598
Amortisation of intangible assets	<b>200</b>	197
Impairment losses of financial assets, net		
– Trade receivables	<b>(4,205)</b>	2,818
– Other receivables	<b>–</b>	770
Foreign exchange (gains)/losses	<b>(1,173)</b>	907
Interest income	<b>(3,295)</b>	(324)
Losses on disposal of property, plant and equipment	<b>5,115</b>	1,199

#### 6. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>For the six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest on bank and other borrowings	<b>1,509</b>	2,886
Interest expense on lease liabilities	<b>2,689</b>	369
	<b>4,198</b>	3,255



## 7. INCOME TAX (EXPENSE)/CREDIT

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 period.

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 period 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.

	<b>For the six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Current tax:		
Chinese Mainland	<b>87</b>	291
Hong Kong	<b>–</b>	1,037
Deferred	<b>112</b>	(3,264)
	<hr/>	<hr/>
Total tax credit/(charge) for the period	<b>199</b>	(1,936)
	<hr/> <hr/>	<hr/> <hr/>

## 8. DIVIDENDS

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

## 9. 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 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 period attributable to ordinary equity holders of the parent, and the weighted average number of 286,269,156 (six months ended 30 June 2023: 255,543,156) ordinary shares in issue during the period, as adjusted to reflect the rights issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the period ended 30 June 2023 and 2024.

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

The calculation of the basic earnings per share is based on:

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>9,393</u>	<u>104,126</u>
	Number of shares	
	2024	2023
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>286,269,156</u>	<u>255,543,156</u>

## 10. TRADE RECEIVABLES

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 month	120,269	41,509
1 to 3 months	26,537	14,595
3 to 6 months	5,161	7,857
6 to 12 months	3,631	1,395
Over 1 year	–	23,904
Total	<u>155,598</u>	<u>89,260</u>

## 11. TRADE PAYABLES

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 year	152,787	147,842
Over 1 year	42,429	24,556
Total	<u>195,216</u>	<u>172,398</u>

## **BUSINESS REVIEW**

During the Period, the Group principally operated two business lines, namely cross-border logistics services and time charter services.

### **Cross-border logistics services**

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 June 2024, the Group commenced self-operated cross-border logistics services when the market freight rate went up to capture market opportunities. During the Period, self-operated cross-border logistics services contributed approximately 12.3% of revenue from cross-border logistics services. The Company's self-operated cross-border logistics services include container shipping services and break bulk cargo transportation services. The Group's service volume of self-operated cross-border seaborne transportation was 2,020 twenty-foot equivalent unit (the "TEUs") and 54,452 revenue tons in the six months ended 30 June 2024. The Group's average price per TEU and revenue ton of self-operated cross-border seaborne transportation was RMB23,043.4 and RMB695.3 in the six months ended 30 June 2024 respectively.

During the Period, 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 138,335 TEUs in the six months ended 30 June 2024, which was higher than the 118,656 TEUs in the same period in 2023, primarily due to favorable prevailing market conditions during the Period. The Group's average price per TEU of cross-border seaborne transportation provided by third parties increased from approximately RMB3,985.3 in the six months ended 30 June 2023 to approximately RMB4,129.8 in the same period in 2024, primarily due to an increase in market freight rates.

In order to further expand its capacity in respect of cargo pick-up and sorting, customs clearance, warehouse transit and last-mile delivery, the Group has commenced the overseas warehousing business during the Period.

### **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 Period, the Group chartered out four vessels and generated revenue of RMB40.3 million. The average daily charter rate was approximately RMB81,865.7 in the six months ended 30 June 2024, which was lower than that of approximately RMB179,100.4 in the same period in 2023. The time charter rate charged by the Group is affected by the overall market rate and demand at the time when the Group contracted with the customers and will therefore often fluctuate. The time charter rate charged by the Group during the six months ended 30 June 2024 was mainly contracted by the Group during the period from May 2023 to April 2024 when the market time charter rate is relatively low while the time charter rate charged by the Group during the six months ended 30 June 2023 is much higher due to the favourable market condition at the time when the time charter rate was contracted by the Group.

### **Others**

During the Period, the Group generated RMB24.9 million of revenue from trading of imported goods under supply chain solutions, which is a natural business extension of cross-border logistics services. During the Period, this service offering was limited to importing paper products from the United States.

## Business Outlook

In the first half of 2024, in the face of the environment with both opportunities and challenges, the cross-border logistics service industry continued to advance. In the second half of 2024, the Group will adopt a prudent approach and adjust its service supply strategy according to market conditions.

In the second half of 2024, the performance of cross-border seaborne transportation provided by third parties is expected to improve compared to the first half of the year because the second half of the year is the traditional peak season for China-Americas and China-Europe shipping routes, as overseas countries are to prepare for the Christmas and New Year holidays, and the traditional peak season for the China-Asia shipping routes is the fourth quarter and before Chinese New Year.

For time charter services, with the general increase in market charter rates in 2024, it is expected that the performance of time charter services will improve in the second half of 2024.

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 (the "Shareholders").

## FINANCIAL REVIEW

### Revenue

During the Period, 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 periods indicated:

	For the six months ended		Change in percentage
	30 June 2024	2023	
	RMB'000	RMB'000	
<b>Revenue</b>			
Cross border logistics services <sup>1</sup>	689,020	498,196	38.3%
Time charter services	40,343	152,230	-73.5%
Others	24,875	5,417	359.2%
<b>Total</b>	<b>754,238</b>	<b>655,843</b>	15.0%

Note<sup>1</sup>: including the overseas warehousing business commenced during the Period.

Revenue of the Group increased by approximately 15.0% from RMB655.8 million for the six months ended 30 June 2023 to RMB754.2 million for the six months ended 30 June 2024. This increase was mainly attributable to an increase in revenue generated from cross border logistics services from RMB498.2 million for the six months ended 30 June 2023 to RMB689.0 million for the six months ended 30 June 2024, due to (a) an increase in average price per TEU from RMB3,985.3 for the six months ended 30 June 2023 to RMB4,402.0 for the six months ended 30 June 2024 as a result of the increase in market freight rates, as well as the increase in provision of self-operated cross-border logistics services during the Period; (b) an increase in service volume from 118,656 TEUs for the six months ended 30 June 2023 to 140,355 TEUs for the six months ended 30 June 2024, favored by the market conditions; (c) the commencement of the overseas warehousing business; and (d) the commencement of the break bulk cargo shipping route between China and Africa.

## **Cost of sales**

Cost of sales increased by approximately 35.2% from RMB507.5 million for the six months ended 30 June 2023 to RMB686.1 million for the six months ended 30 June 2024. This increase was primarily due to the increase 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 54.1% from RMB148.3 million for the six months ended 30 June 2023 to RMB68.1 million for the six months ended 30 June 2024.

Gross profit margin decreased from 22.6% for the six months ended 30 June 2023 to 9.0% for the six months ended 30 June 2024, as the average daily charter rate charged by the Group for the time charter services decreased from RMB179,100.4 for the six months ended 30 June 2023 to RMB81,865.7 for the six months ended 30 June 2024.

## **Other income and gains**

Other income and gains primarily include foreign exchange gains, interest income and government grants. Other income and gains increased by approximately 354.5% from RMB1.1 million for the six months ended 30 June 2023 to RMB5.0 million for the six months ended 30 June 2024, primarily due to the increase in interest income.

## **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 remained relatively stable at RMB8.3 million and RMB9.1 million for the six months ended 30 June 2023 and 2024, respectively.

## **Administrative expenses**

Administrative expenses primarily include (i) salaries and welfare of the Group's administrative staff; (ii) consulting fees; (iii) depreciation and amortization; and (iv) office expenses and travel expenses. Administrative expenses increased by approximately 57.0% from RMB29.1 million for the six months ended 30 June 2023 to RMB45.7 million for the six months ended 30 June 2024, primarily due to the increase in consulting fees, salaries and welfare expenses.

## **Other expenses**

Other expenses primarily represent losses on disposal of non-current assets in relation to the disposal of containers. Other expenses increased by approximately 152.4% from RMB2.1 million for the six months ended 30 June 2023 to RMB5.3 million for the six months ended 30 June 2024, primarily due to the increase in losses on disposal of non-current assets in relation to the disposal of containers of the Group.

## **Finance costs**

Finance costs include interest expense on bank and other borrowings and interest expense on lease liabilities. Finance costs increased from RMB3.3 million for the six months ended 30 June 2023 to RMB4.2 million for the six months ended 30 June 2024, primarily due to the increase in interest expense on lease liabilities as the Group rented a warehouse.

## **Impairment losses on financial assets, net**

Impairment losses on financial assets primarily consist of impairment on trade receivables and other receivables. The Group recorded impairment losses on financial assets of RMB3.6 million for the six months ended 30 June 2023 and reversal of impairment losses of RMB4.2 million for the six months ended 30 June 2024, primarily due to the recovery of long outstanding trade receivables during the Period.

## **Share of losses 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.

## **Profit before tax**

As a result of the foregoing, profit before tax decreased by approximately 87.4% from RMB103.1 million for the six months ended 30 June 2023 to RMB13.0 million for the six months ended 30 June 2024.

## **Income tax expense/credit**

Income tax expense primarily consists of PRC corporate income tax and Hong Kong profits tax. The Group recorded income tax credit of RMB1.9 million for the six months ended 30 June 2023 and income tax expense of RMB0.2 million for the six months ended 30 June 2024, as the Group did not recognize certain deferred tax assets after considering the decline of operating results.

## **Profit for the Period**

As a result of the foregoing, the Group's profit for the period decreased by approximately 87.8% from RMB105.1 million for the six months ended 30 June 2023 to RMB12.8 million for the six months ended 30 June 2024.

## **Liquidity, Financial and Capital Resources**

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

## Net current assets

As at 30 June 2024, the Group's net current assets amounted to RMB177.4 million (31 December 2023: RMB139.9 million). Specifically, the Group's total current assets increased by approximately 20.0% from RMB418.7 million as at 31 December 2023 to RMB502.5 million as at 30 June 2024. The Group's total current liabilities increased by approximately 16.6% from RMB278.7 million as at 31 December 2023 to RMB325.1 million as at 30 June 2024.

## Cash position

As at 30 June 2024, the Group had cash and bank balances of RMB181.8 million (31 December 2023: RMB207.9 million). The following table sets forth the currencies in which the Group's cash and bank balances were denominated as at 30 June 2024:

	<b>As at 30 June 2024 RMB'000</b>
Denominated in RMB	15,929
Denominated in United States dollars ("USD")	90,735
Denominated in Malagasy ariaries	384
Denominated in Hong Kong dollars	74,759
Denominated in Australian dollars	1
Denominated in Japanese yen	2
	<hr/>
<b>Total cash and bank balances</b>	<b>181,810</b>

## Borrowings

As at 30 June 2024, the Group had borrowings of RMB22.8 million (31 December 2023: RMB51.3 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:

	<b>As at 30 June 2024 RMB'000</b>	<b>As at 31 December 2023 RMB'000</b>
<b>Bank loans and overdraft repayable:</b>		
– Within one year	10,000	10,000
<b>Other borrowings repayable:</b>		
– Within one year	12,783	41,266
	<hr/>	<hr/>
<b>Subtotal</b>	<b>12,783</b>	<b>41,266</b>
	<hr/>	<hr/>
<b>Total</b>	<b>22,783</b>	<b>51,266</b>

As at 30 June 2024, except for the borrowings in the amounts of RMB12.8 million denominated in USD (31 December 2023: RMB41.3 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 3.2% to 9.6% as at 30 June 2024 (31 December 2023: 3.25% to 11.81%).

### **Borrowing costs**

The Group's interest on bank and other borrowings decreased from RMB2.9 million for the six months ended 30 June 2023 to RMB1.5 million for the six months ended 30 June 2024, primarily due to the decrease in monthly average borrowing balance during the Period.

### **Pledge of assets**

As at 30 June 2024, the Group had mortgaged the container vessels with carrying amounts of RMB33.4 million (31 December 2023: RMB33.6 million) to secure bank and other borrowings amounting to RMB12.8 million (31 December 2023: RMB20.0 million).

As at 30 June 2024, the Group had pledged deposits of RMB2.6 million (31 December 2023: RMB4.1 million) as security for letters of credit.

### **Financial risks**

The Group's principal financial instruments mainly include financial assets included in trade and notes receivables, the amounts due from related parties, prepayments and other receivables, cash and cash equivalents, financial liabilities included in other payables and accruals, which arise directly from its operations. The Group has other financial assets and liabilities such as interest-bearing other borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. To keep the Group's exposure to these risks at a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

#### ***Interest rate risk***

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

#### ***Foreign currency risk***

The Group has minimal transactional currency exposure as most of the Group's sales and purchases by operating units are denominated in the functional currencies of the relevant operating units. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.



### ***Credit risk***

The Group is exposed to credit risk in relation to its trade and notes receivables, financial assets included in prepayments and other receivables, amounts due from related parties, and cash and cash equivalents.

The Group expects that there is no significant credit risk associated with cash and cash equivalents since they are deposited at state-owned banks and other medium or large-sized listed banks. For trade receivables from third parties, the Group has a large number of customers and there was no concentration of credit risk as the customer base of the Group's trade receivables is widely dispersed. In addition, the receivable balances are monitored on an ongoing basis. The Group expected there is no significant credit risk associated with financial assets included in prepayments and other receivables since they have low historical default risk. The Group expected the credit risk associated with non-trade-related amounts due from related parties to be low, since they have a strong capacity to meet the contractual cash flow obligation in the near term.

### ***Liquidity risk***

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

### **Key Financial Ratios**

As at 30 June 2024, the current ratio of the Group, being the current assets divided by the current liabilities, was 1.5 times (31 December 2023: 1.5 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 30 June 2024, the gearing ratio of the Group was 1.9% (31 December 2023: 4.4%). The decrease of the Group's gearing ratio was mainly attributable to the settlement of part of interest-bearing borrowings during the Period.

### **Contingent Liabilities**

As at 30 June 2024, the Group had no significant contingent liabilities.

### **Commitments**

As at 30 June 2024, the Group had capital commitments of RMB1,401.8 million (31 December 2023: RMB1,393.2 million). The amount as at 30 June 2024 was related to the purchase of container vessels.

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

During the Period, 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 Period.

## 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 30 June 2024.

## USE OF PROCEEDS FROM THE LISTING

The aggregate net proceeds from the Listing (involving the issue of a total of 28,390,000 ordinary shares (the “**Shares**”) of the Company at the offer price of HK\$5.13 per Share and the issue of 2,336,000 additional Shares pursuant to the Over-allotment Option (as defined in the Prospectus) at the offer price of HK\$5.13 per Share), after deducting related underwriting fees and other expenses in connection with the Listing, were approximately HK\$95.1 million (the “**Net Proceeds**”). The Net Proceeds will be utilized for the purposes as set out in the Prospectus. The following table sets forth the status of the use of proceeds from 1 January 2024 to the 30 June 2024:

Use	Percentage of the Net Proceeds as stated in the Prospectus	Net Proceeds		Unutilized Net Proceeds as at 30 June 2024 <i>HK\$ million</i>	Expected timeframe of full utilization of the Net Proceeds
		as at 31 December 2023 taking into account the partial exercise of the Over-Allotment Option <i>HK\$ million</i>	Actual use of the Net Proceeds from 1 January 2024 and up to 30 June 2024 <i>HK\$ million</i>		
Setting up logistics facilities, including warehouses and container yards, purchasing trucks and investing in software systems for warehouse, order and transportation management	52.0%	47.4	26.6	20.8	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	1.5	5.2	2025
Strategic investments and/or acquisitions in businesses or assets that complement the Group’s business	20.0%	19.0	15.5	3.5	2025
Establishing a trucking service matching platform	7.0%	6.7	–	6.7	2025
General corporate purposes and working capital needs	10.0%	1.0	1.0	–	2025
<b>Total</b>	<b>100.0%</b>	<b>84.6</b>	<b>48.4</b>	<b>36.2</b>	

## **EMPLOYEE AND REMUNERATION POLICY**

As at 30 June 2024, the Group had a total of 331 full-time employees. For the six months ended 30 June 2024, the staff cost relating to the Group's own employees recognized as expenses amounted to RMB30.1 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 Period, 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**

In July 2024, the Group entered into agreements to sell two vessels under construction at the price of USD133.3 million to two purchasers (the "**Purchasers**") controlled by Mediterranean Shipping Company S.A., pursuant to which, the Purchasers will take over all of the Group's rights and obligations under the corresponding shipbuilding agreements. The Group had received the consideration as at the date of this announcement. For details, please refer to the announcement and circular of the Company dated 3 July 2024 and 26 July 2024 respectively.

Saved as disclosed above, there has been no other material events affecting the Company since 30 June 2024 and up to the date of this announcement.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company (including sale of treasury shares) during the Period.

## **INTERIM DIVIDEND**

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2024.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

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

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

Save as disclosed above, the Board considered that the Company has complied with all applicable code provisions set out in the Corporate Governance Code during the Period.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as the guidelines for the Directors’ dealings in the securities of the Company. After making specific enquiries to all the Directors and relevant employees of the Company, each of them has confirmed that they have complied with the required standards set out in the Model Code during the Period.

## **REVIEW OF THE INTERIM RESULTS BY THE AUDIT COMMITTEE**

As at the date of this announcement, the Audit Committee comprised three independent non-executive Directors, namely Mr. Du Haibo (chairman), Dr. Gu Lin and Mr. Qi Yinliang. The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2024. The Audit Committee and the Company’s management have also reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to risk management, internal control and financial reporting. The Audit Committee has agreed with the management of the Company on the unaudited interim results of the Group for the six months ended 30 June 2024.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This interim results announcement is published on the websites of the Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.lcang.com](http://www.lcang.com)). The interim report of the Company for the six months ended 30 June 2024 containing all the information required by the Listing Rules will be despatched to the Shareholders and made available for review on the same websites in due course.

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

Hong Kong, 20 August 2024

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