



乐舱物流股份有限公司 LC Logistics, Inc.

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2490

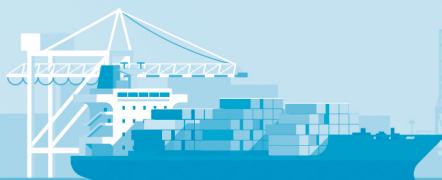
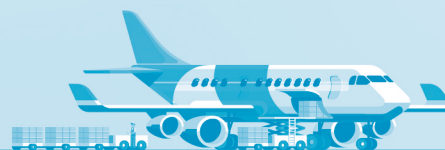


2024 ANNUAL REPORT



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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. NG Sau Mei

Authorised Representatives

Mr. XU Xin
Ms. NG Sau Mei

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
7503B-7504, 75/F
International Commerce Center
1 Austin Road West
Kowloon, Hong Kong

Legal Advisers as to Hong Kong Law

Sidley Austin
39/F, Two International Finance Centre
8 Finance Street
Central, Hong Kong

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



Corporate Information

Principal Place of Business in Hong Kong

31/F, Tower Two, Times Square
1 Matheson Street, Causeway Bay
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. 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 was listed on The Stock Exchange of Hong Kong Limited, which marked a new chapter of the Company.



Chairman's Statement

Dear Shareholders,

On behalf of the board of directors of LC Logistics, Inc., I would hereby like to present to you our annual report for the year ended 31 December 2024 and our future development plan. Over the past year, the road to global economic recovery has been fraught with obstacles and geopolitical conflicts, and the external environment has been complex, volatile, and full of challenges. However, through its forward-thinking strategic planning, efficient operation and management, and the relentless efforts of the entire team, LC Logistics has bucked the trend and achieved steady growth in performance, laying a solid foundation for the sustainable development of the Company.

2024 Performance Overview

In 2024, the Company's operating revenue reached RMB1,946.4 million, with net profit attributable to shareholders of the parent reaching RMB395.8 million and basic earnings per share of RMB1.38. For cross-border logistics services, our annual container shipping volume was 331,043 TEUs, which not only demonstrated our strength and capability, but also further consolidated our leading position in the industry.

Operational Highlights and Achievements

1. Global Service Network Optimization

The Company has continued to deepen its cooperation with domestic and international strategic partners. We have resolutely launched self-operated routes to South America, Africa and other areas at the critical moment when the market freight rate was rising, which has significantly enhanced the coverage and operational efficiency of our global service network. By optimizing our route layout, we have not only provided customers with more efficient and convenient logistics services, but also strengthened our competitiveness in the global market.

2. Technology Innovation and Application

We have continued to increase our investment in digital management, developed and optimized intelligent logistics solutions, and achieved high transparency and efficient operation of the supply chain through advanced technical means, further supporting the precise matching of customer demand. Driven by the trend of digitization, LC Logistics has always been at the forefront of the industry, driving service upgrades through technological innovation and creating more value for our customers.

3. Green Logistics and Sustainable Development

As a socially responsible company, we have been supporting the achievement of green shipping goals by actively implementing ESG philosophy, reducing carbon emissions, and enhancing waste treatment and marine protection. Meanwhile, we leveraged big data to optimize route planning and further reduce fuel consumption and carbon emissions, so as to take practical actions to protect the earth and promote sustainable development.



Chairman's Statement

Strategy for Future Development

Looking ahead, LC Logistics will continue to adhere to the dual-drive strategy of “organic growth and external expansion” and focus on the following tasks:

1. Deepening of Global Layout

We will focus on expanding the layout of self-operated routes in the Americas and other areas, actively promote the construction of overseas warehouses, and create a full-chain cross-border e-commerce logistics ecosystem which integrates seaborne transportation, warehousing and last-mile delivery, to further improve our service efficiency. Meanwhile, we will seize the opportunities for infrastructure construction in emerging markets, such as Southeast Asia and Africa and other markets along the “Belt and Road”, to provide professional engineering logistics solutions in Africa and other regions and facilitate the development of the local economy.

2. Vessel Operation Upgrade

The Company will optimize the energy structure of its fleet, gradually introduce new energy vessels, implement refined operation management, and promote the application of green shipping technologies. Through these measures, we will not only improve the efficiency of vessel operation, but also contribute to environmental protection, realizing a win-win situation in terms of economic and social benefits.

3. Building an Industrial Ecosystem

Through strategic investments and mergers and acquisitions to integrate quality resources and establish strategic cooperation with leading companies, we will further improve our digital supply chain service system and build a more competitive industrial ecosystem. We believe that through close cooperation with all parties, LC Logistics will secure a stronger position to compete in the market in the future.

Conclusion

Against the backdrop of profound changes in the global economic and trade landscape, LC Logistics will continue to uphold the development philosophy of “Innovation, Synergy and Green”, and actively seize the opportunities arising from industrial upgrading. We firmly believe that, with a clear strategic plan, a highly efficient executive team and the full support of our shareholders, LC Logistics will achieve higher-quality development, create sustainable value for shareholders and make greater contributions to the community.

I would like to thank our shareholders once again for their trust and support.

Xu Xin

Chairman of the Board and Chief Executive Officer

LC Logistics, Inc.

20 March 2025



Management Discussion and Analysis

Business Review

During the Year, 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 2024, the Group commenced self-operated cross-border logistics services when the market freight rate went up to capture market opportunities. During the Year, self-operated cross-border logistics services contributed approximately 16.5% 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 9,501 TEUs and 162,516 revenue tons in the Year. The Group's average price per TEU and revenue ton of self-operated cross-border seaborne transportation was RMB20,721 and RMB654 in the Year, respectively.

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 321,542 TEUs in the Year, which was higher than the 233,903 TEUs in 2023, primarily due to favorable prevailing market conditions in 2024. The Group's average price per TEU of cross-border seaborne transportation provided by third parties increased from approximately RMB4,000 in the year ended 31 December 2023 to approximately RMB4,343 in the Year, primarily due to an increase 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 four vessels and generated revenue of RMB77.9 million. The average daily charter rate was approximately RMB77,000 in the Year, which was lower than the approximately RMB136,000 in the same period in 2023, as affected by the decline of market charter rate during the Year.

Others

During the Year, the Group generated RMB34.9 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 Year, this service offering was limited to importing paper products from the United States.



Management Discussion and Analysis

Business Outlook

In 2025, in face of a complex and volatile global economy, the Company will continue to actively respond to challenges and seize opportunities. Although the global economic growth may continue to slow down, the Company's profound experience in cross-border logistics and vessel chartering will provide it with a solid business foundation. Through optimizing operations, expanding business scope and practicing the concept of green shipping, the Company will further enhance its market competitiveness in order to achieve sustainable growth in performance.

Market Environment Analysis:

Global economic situation: According to the World Bank's forecast, while the global economy is likely to remain under growth pressure in 2025, industrial relocation in the Asian region will continue to drive growth in logistics demand on trade routes in Southeast Asia and India. Furthermore, as the global supply chain gradually recovers, the logistics industry will encounter new development opportunities.

Industry Trends:

- The "Belt and Road" Initiative: The continuous advancement of infrastructure construction in the countries along the route will drive robust growth in demand for engineering logistics, particularly in Africa, South America, and Southeast Asia.
- Cross-border e-commerce: The swift growth of the global cross-border e-commerce market will continue to drive the demand for overseas warehouses and cross-border logistics services, especially given the enormous growth potential in the European, American, and Southeast Asian markets.
- Green shipping: With the global demand for environmental protection becoming increasingly stringent, green shipping is set to emerge as a key industry trend, prompting logistics companies to transit towards a low-carbon, eco-friendly direction.

Corporate Strategies and Plans:

Cross-border logistics services:

The Company will continue to optimize the operation and management of its cross-border logistics services, in order to improve service standards and efficiency. The Company plans to expand the coverage of its services by launching self-operated routes in regions, such as the Americas, through its own operation or jointly with other partners, in order to meet customers' needs for cross-border cargo transportation. Meanwhile, the Company will enhance its digital management to improve supply chain transparency, ensuring the timeliness and safety of cargo transportation.



Management Discussion and Analysis

The Company will rely on the advantages of self-owned feeder vessels and provide door-to-door engineering procurement construction (EPC) logistics solutions for integrated international engineering customers in electric power, construction, petroleum and petrochemical, rail transportation, machinery, steel, etc. The Company will increase its investment in engineering logistics and project logistics, improve the efficiency and service level of logistics business, and establish close cooperation with partners in various industries, so as to further increase its market share and profitability.

Based on the optimistic expectations for the global cross-border e-commerce market, the Company will continue to promote the construction of overseas warehouse and offer a full range of warehousing and delivery services, in order to provide customers with a more convenient delivery experience. The Company will create a full-chain cross-border e-commerce logistics ecosystem which integrates seaborne transportation, warehousing and last-mile delivery to enhance its competitiveness in overseas markets.

The Company will continue to put the concept of green shipping into practice, actively use clean energy to reduce carbon emissions, and strengthen its waste treatment and marine conservation measures. The Company plans to gradually introduce new energy vessels, optimize the energy mix of the existing fleet and promote the application of green shipping technologies. To give back to society, the Company will also continue to focus on social responsibility and actively participate in volunteer teaching activity.

Time charter operation:

The Company will actively manage its time charter operation, adjust rental strategy, expand the scope of leasing services, and improve vessel utilization rate and yield. It will also strengthen vessel maintenance and management, in order to ensure safe and stable operation. The Company will further enhance customer satisfaction and market competitiveness.

Performance Forecast:

Revenue growth: Through the expansion of self-operated routes, the strengthening of engineering logistics business and the development of overseas warehouse business, the Company expects to achieve steady growth in revenue in 2025.

Profitability: Through differentiated operation and low-cost strategy, the Company will continue to maintain its strong profitability. The Company will further expand its profit margins and create greater value for shareholders by optimizing its operational procedures, enhancing the efficiency of resource use and strengthening its cost control measures.

Conclusion:

In 2025, the Company will continue to identify new opportunities for business growth in the global logistics market, and improve market competitiveness through innovation and optimization of operation model, in order to achieve continuous growth of performance. The Company maintains strong confidence in its future outlook and remains committed to providing efficient and reliable logistics services to its customers around the world. Through continuous expansion of business scope, improvement of service quality and implementation of the concept of green shipping, the Company will secure a more significant role in the global logistics industry.



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
	2024 RMB'000	2023 RMB'000	
Revenue			
Cross border logistics services ¹	1,833,626	996,654	84.0%
Time charter services	77,906	218,233	-64.3%
Others	34,861	23,584	47.8%
Total	1,946,393	1,238,471	57.2%

Note¹: including the overseas warehousing business commenced during the Year.

Revenue of the Group increased by approximately 57.2% from RMB1,238.5 million for the year ended 31 December 2023 to RMB1,946.4 million for the Year. This increase was mainly attributable to an increase in revenue generated from cross border logistics services from RMB996.7 million for the year ended 31 December 2023 to RMB1,833.6 million for the Year, including (a) an increase in average price per TEU from RMB4,000 for the year ended 31 December 2023 to RMB4,813 for the Year 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 Year; (b) an increase in service volume from 233,903 TEUs for the year ended 31 December 2023 to 331,043 TEUs for the Year, primarily due to favorable 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 71.6% from RMB1,011.9 million for the year ended 31 December 2023 to RMB1,736.3 million for the Year, which was generally in line with the increase in revenue. 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 7.3% from RMB226.6 million for the year ended 31 December 2023 to RMB210.1 million for the Year.

Gross profit margin decreased from 18.3% for the year ended 31 December 2023 to 10.8% for the Year, as the average daily charter rate charged by the Group for the time charter services decreased from RMB136,000 for the year ended 31 December 2023 to RMB77,000 for the Year.



Management Discussion and Analysis

Other income and gains

Other income and gains primarily include gains on the disposal of vessels, interest income and government grants. Other income and gains increased by approximately 6,387.7% from RMB5.7 million for the year ended 31 December 2023 to RMB369.8 million for the Year, primarily due to the Group's asset optimisation, including the optimisation of the Group's investment strategy for vessel assets.

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 increased by approximately 31.6% from RMB17.4 million for the year ended 31 December 2023 to RMB22.9 million for the Year, primarily due to the increase in salaries and welfare of the Group's sales and marketing team.

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 18.2% from RMB83.1 million for the year ended 31 December 2023 to RMB98.2 million for the Year, primarily due to the increase in salaries and welfare of the Group's administrative staff, depreciation and amortization, office expenses and travel expenses.

Other expenses

Other expenses primarily represent foreign exchange losses and fair value losses on FVTPL. Other expenses increased by approximately 564.3% from RMB1.4 million for the year ended 31 December 2023 to RMB9.3 million for the Year, primarily due to the increase in foreign exchange losses and fair value losses on FVTPL.

Finance costs

Finance costs include interest expense on bank and other borrowings and interest expense on lease liabilities. Finance costs increased from RMB5.4 million for the year ended 31 December 2023 to RMB8.9 million for the Year, primarily due to the increase in interest expense on lease liabilities as the Group rented a warehouse.

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 increased by approximately 1,304.2% from RMB2.4 million for the year ended 31 December 2023 to RMB33.7 million for the Year, primarily due to the increase in allowance made for trade receivables and other receivables during the Year.

Share of loss of associates

Share of loss of associates are related to Lecang International Logistics (Wuxi) Co., Ltd, in which the Group held a 40.0% equity interest, and Lcang (Shanghai) Investment Management Co., Ltd, in which the Group held a 40.0% equity interest. Share of loss of associates increased from RMB46,000 for the year ended 31 December 2023 to RMB0.3 million for the Year.

Profit before tax

As a result of the foregoing, profit before tax increased by approximately 231.3% from RMB122.7 million for the year ended 31 December 2023 to RMB406.5 million for the Year.



Management Discussion and Analysis

Income tax expense

Income tax expense primarily consists of PRC corporate income tax, Hong Kong profits tax, New Jersey corporation business tax and Madagascar comprehensive tax. The Group's income tax expense was RMB3.1 million and RMB5.6 million for the years ended 31 December 2023 and 2024, respectively.

Profit for the Year

As a result of the foregoing, the Group's profit for the year increased by approximately 235.3% from RMB119.6 million for the year ended 31 December 2023 to RMB401.0 million for the Year.

Liquidity, Financial and Capital Resources

The Group met and expects to continue meeting its operating capital, capital expenditure and other capital needs with proceeds from its Listing 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 2024, the Group's net current assets amounted to RMB713.6 million (31 December 2023: RMB139.9 million). Specifically, the Group's total current assets increased by approximately 140.4% from RMB418.7 million as at 31 December 2023 to RMB1,006.7 million as at 31 December 2024. The Group's total current liabilities were RMB278.7 million and RMB293.1 million as at 31 December 2023 and 2024, respectively.

Cash position

As at 31 December 2024, the Group had cash and bank balances of RMB779.6 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 31 December 2024:

	As at 31 December 2024 RMB'000
Denominated in RMB	22,828
Denominated in USD	753,128
Denominated in Malagasy ariary	2,773
Denominated in Hong Kong dollars	892
Denominated in Australian dollars	14
Denominated in Japanese yen	2
Total cash and bank balances	779,637



Management Discussion and Analysis

Borrowings

As at 31 December 2024, the Group had borrowings of RMB84.7 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:

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Bank loans and overdraft repayable:		
– Within one year	41,595	10,000
Other borrowings repayable:		
– On demand or within a period not exceeding one year	15,856	41,266
– Within a period of more than one year but not exceeding two years	15,545	–
– Within a period of more than two years but not exceeding five years	11,659	–
Subtotal	43,060	41,266
Total	84,655	51,266

As at 31 December 2024, except for the borrowings in the amounts of RMB43.1 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 interest rates ranging from 2.85% to 9.62% as at 31 December 2024 (31 December 2023: 3.25% to 11.81%).

Borrowing costs

The Group's interest on bank and other borrowings decreased from RMB4.8 million for the year ended 31 December 2023 to RMB4.0 million for the Year, primarily due to the decrease in monthly average borrowing balance and borrowing interest rate during the Year.

Pledge of assets

As at 31 December 2024, the Group had mortgaged the container vessels with carrying amounts of RMB56.1 million (31 December 2023: RMB33.6 million) to secure bank and other borrowings amounting to RMB43.1 million (31 December 2023: RMB20.0 million).

As at 31 December 2024, the Group had pledged deposits of RMB11.2 million (31 December 2023: RMB4.2 million, as security for letters of credit) as security for the bank's payment guarantee.



Management Discussion and Analysis

Financial risks

The Group's principal financial instruments mainly include financial assets included in trade and notes receivables, the amounts due from a related party, 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 a related party, 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 a related party to be low, since it has 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.



Management Discussion and Analysis

Key Financial Ratios

As at 31 December 2024, the current ratio of the Group, being the current assets divided by the current liabilities, was 3.4 times (31 December 2023: 1.5 times).

The Group monitors its capital using a gearing ratio, which is interest-bearing borrowings divided by total equity. The Group's policy is to maintain a healthy gearing ratio. As at 31 December 2024, the gearing ratio of the Group was 5.5% (31 December 2023: 4.4%). The increase of the Group's gearing ratio was mainly attributable to the increase of interest-bearing borrowings during the Year.

Contingent Liabilities

As at 31 December 2024, the Group had no significant contingent liabilities.

Commitments

As at 31 December 2024, the Group had capital commitments of RMB1,721.2 million (31 December 2023: RMB1,393.2 million). The amount as at 31 December 2024 was related to purchase of container vessels as disclosed in the announcement and circular of the Company dated 2 September 2024 and 23 September 2024 respectively.

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. Save as disclosed, the Company did not have any other future plans for material investments or capital assets as of the date of this annual report.



Management Discussion and Analysis

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 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 as at 31 December 2024:

Use	Percentage of the Net Proceeds as stated in the Prospectus	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 31 December 2024 <i>HK\$ million</i>	Unutilized Net Proceeds as at 31 December 2024 <i>HK\$ million</i>	Expected timeframe of full utilization of the Net Proceeds
Setting up logistics facilities, including warehouses and container yards, purchasing trucks and investing in software systems for warehouse, order and transportation management	52.0%	47.4	37.7	9.7	2025
Expanding the business coverage and global network	4.0%	3.8	3.8	–	–
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	–	–
Total	100.0%	84.6	59.5	25.1	



Management Discussion and Analysis

Employee and Remuneration Policy

As at 31 December 2024, the Group had a total of 337 full-time employees. For the year ended 31 December 2024, the staff cost relating to the Group's own employees recognized as expenses amounted to RMB66.1 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 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 2024 and up to the date of this annual report.



Biographies of Directors and Senior Management

Directors

Executive Directors

Mr. Xu Xin (許昕), aged 46, 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 22 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 38, 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 17 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.



Biographies of Directors and Senior Management

Ms. Zhu Jiali (朱佳麗), aged 44, 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 20 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 50, 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 28 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 50, 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 21 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 55, 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



Biographies of Directors and Senior Management

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 July 2024
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 January 2024
Dmodes Fashion Garment Co., Ltd.	Garment production and sales	Director	promoting and improving strategies of the company	January 2019 to September 2024

In addition, Mr. Du holds 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 December 2023
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 August 2024
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 May 2024



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 February 2024

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 41, 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 19 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



Biographies of Directors and Senior Management

Name of entity	Principal business	Position(s)	Responsibilities	Period of service
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 34, 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 9 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 also obtained her Master of Business Administration from Shanghai University of Finance and Economics (上海財經大學) in the PRC in June 2024. 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. Ng Sau Mei (伍秀薇) was appointed as the joint company secretary on 21 June 2024. Ms. Ng is a director and head of the Listing Services Department of TMF Hong Kong Limited (a global enterprise service provider) and is responsible for provision of corporate secretarial and compliance services to listed company clients. She has over 20 years of professional experience in the company secretarial field. Ms. Ng is a fellow 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 44, 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.



Biographies of Directors and Senior Management

Prior to joining the Group, Mr. Sun has over 24 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 56, 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 29 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 50, 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 28 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.



Corporate Governance Report

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.

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 during the Year 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.



Corporate Governance Report

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 2024.

Directors' Securities Transactions

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 throughout the Year.

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 throughout the Year.

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)
<i>Executive Directors</i>	
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
<i>Independent Non-executive Directors</i>	
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 18 to 26 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.



Corporate Governance Report

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 Year is set out below:

	Number of attendance/Number of meeting(s)				
		Audit	Nomination	Remuneration	General
Directors	Board	Committee	Committee	Committee	meetings
Executive Directors					
Mr. Xu Xin (Chairman and chief executive officer)	9/9	–	1/1	1/1	2/2
Ms. Li Yan	9/9	–	–	–	2/2
Ms. Zhu Jiali	9/9	–	–	–	2/2
Mr. Yu Zhenrong	9/9	–	–	–	2/2
Independent Non-executive Directors					
Dr. Gu Lin	9/9	3/3	1/1	1/1	2/2
Mr. Du Haibo	9/9	3/3	–	–	2/2
Mr. Qi Yinliang	9/9	3/3	1/1	1/1	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

During the year ended 31 December 2024, 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 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 2024, 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.



Corporate Governance Report

All Directors in office during the year ended 31 December 2024 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.

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 2024, 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, Mr. Xu Xin, Dr. Gu Lin and Mr. Qi Yinliang shall retire by rotation and, being eligible, have offered themselves for re-election at the forthcoming AGM of the Company.



Corporate Governance Report

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 2024, the Audit Committee held three meetings to discharge its duties including to review the annual results for the year ended 31 December 2023, the interim results for the six months ended 30 June 2024, 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 re-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 year ended 31 December 2024 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.



Corporate Governance Report

During the year ended 31 December 2024, the Remuneration Committee held one meeting to discharge its duties including to (i) review and develop the remuneration policies, assess the performance of all the Directors and senior management and making recommendations to the Board on the remuneration package of all the Directors and senior management; and (ii) review the Post-IPO Share Scheme and its implementation. The attendance record of the Remuneration Committee members during the year ended 31 December 2024 is set out in the paragraph “Board of Directors – Attendance records of Directors” of this annual report.

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 2024, the Nomination Committee held one meeting to discharge its duties including to (i) review the structure, size and composition of the Board; (ii) confirm the independence of independent non-executive Directors; and (iii) consider whether the qualifications of the retiring Directors meet the requirements for re-election at the annual general meeting. The attendance record of the Nomination Committee members during the year ended 31 December 2024 is set out in the paragraph “Board of Directors – Attendance records of Directors” of this annual report.

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.



Corporate Governance Report

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 38 years old to 55 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 TMF Hong Kong Limited to provide secretarial services and has appointed Ms. Ng Sau Mei 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. Ng Sau Mei can contact.

Ms. Ding and Ms. Ng had confirmed that for the year ended 31 December 2024, 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. Ng Sau Mei is set out in the "Biographies of Directors and Senior Management" section on pages 23 to 24 of this annual report.



Corporate Governance 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 2024, 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 122 to 127 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 2024.

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 2024 is set out below:

	Number of members of senior management
Nil to RMB1,000,000	2
RMB1,000,001 to RMB1,500,000	1



Corporate Governance Report

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;



Corporate Governance Report

- 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 2024, 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 2024, the remunerations paid or payable to Ernst and Young in respect of its audit services and non-audit services are approximately RMB1,980,000 and RMB895,000, respectively. The amount for 2024 non-audit services consisted mainly of tax-related service fee of RMB25,000, environmental, social and governance related consultancy service fee of RMB150,000 and financial due diligence service fee of RMB720,000. The Audit Committee was satisfied that the non-audit services in 2024 did not affect the independence of the auditor.



Corporate Governance Report

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 2024, 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	150	44.5%
Female employee	187	55.5%

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 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, 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

During the year ended 31 December 2024, 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.



Corporate Governance Report

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 2024 was effective.



Environmental, Social and Governance Report 2024

Preface

About the 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 2024, focusing on discussing matters of concern to stakeholders and relevant information.

Reporting Period

This report covers the period from 1 January 2024 to 31 December 2024 (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 Code* (the “**ESG Reporting Code**”) 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 20 March 2025 upon confirmation by the management.



Environmental, Social and Governance Report 2024

Statement of the Board

Responsibilities of the Board	<p>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.</p>
Daily Implementation	<p>LC Logistics has established a three-tier ESG governance framework, consisting of the board of directors, the management and executing unit. Firstly, the Board sets the overall ESG vision for the Group. Secondly, our management is responsible for monitoring environmental, social, and governance risks and overseeing the implementation of related initiatives. Finally, all departments and subsidiaries of the Company are the implementation units of the sustainable development work. Each executive unit bears the main responsibility within the scope of its duties, and is responsible for implementing the daily management of the relevant work in accordance with the company's sustainable development strategy and objectives, as well as reporting on the implementation of the situation on a regular basis, and submitting information in a timely manner.</p>
ESG Risk Management	<p>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.</p>
Materiality Analysis	<p>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.</p>



Environmental, Social and Governance Report 2024

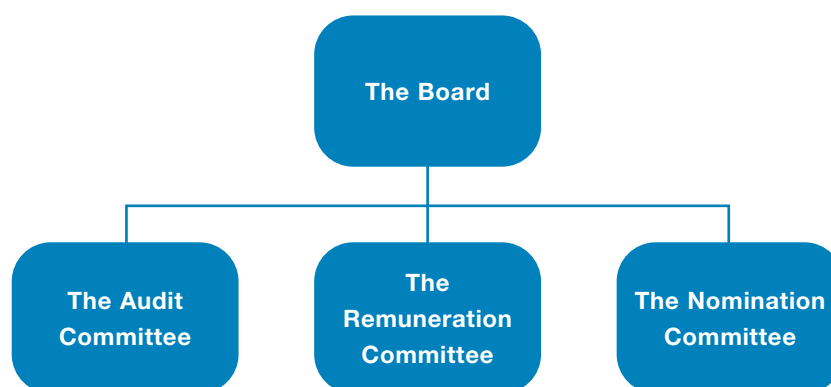
1 Corporate Governance

Good corporate governance is a necessary condition for LC Logistics to advance its strategic layout and fulfill sustainable development. We fully recognize the importance of scientific corporate governance and consistently adhere to promoting business ethics management within the Company. By actively preventing risks, we safeguard the healthy operation and sustainable development of the enterprise.

1.1 Corporate Governance Structure

LC Logistics strictly abides by the *Civil Code of the People's Republic of China* (《中華人民共和國民法典》), *Maritime Law of the People's Republic of China* (《中華人民共和國海商法》), *Company Law of the People's Republic of China* (《中華人民共和國公司法》), *Foreign Trade Law of the People's Republic of China* (《中華人民共和國對外貿易法》), as well as the Appendix C1 *Corporate Governance Code of the Listing Rules* (《企業管治守則》) of the Stock Exchange, and other laws, regulations, and stipulations of relevant regulatory authorities. We have established a scientific and rigorous corporate governance structure and continuously improved our corporate governance environment. By advancing the modernization of our corporate governance system, we have achieved a dual enhancement of the Company's social and economic value.

The Company's Board has established three specialized committees: the Audit Committee, the Remuneration Committee, and the Nomination Committee, forming a governance mechanism with clear rights and responsibilities, mutual coordination, and mutual checks and balances, ensuring efficient and compliant corporate governance. We fully guarantee the crucial role of independent directors in overseeing the Company's risk management and internal controls, thereby ensuring that the interests of minority shareholders are effectively safeguarded. Among the seven directors of the Company, there are three independent directors.



The Board Structure of LC Logistics



Environmental, Social and Governance Report 2024

LC Logistics also attaches great importance to the diversification of its Board. The Company formulated the *Policy on Diversity of Board Membership* 《董事會成員多元化政策》, which clearly stipulates that the Board and the Nomination Committee should gradually increase the proportion of female Directors when recommending suitable candidates for directorships. By referring to reasonable external suggestions, the Company ensures an appropriate gender balance within the Board. All appointments to the Board are based on the fundamental principle of meritocracy, and the process of considering candidates considers the benefits of Board diversity as well as the needs of the Board, thereby safeguarding our decision-making perspective and professional depth and promoting more scientific and efficient corporate governance. Among the seven Directors on our Board, two are female.

Names of Directors	Positions	Specialized Field					
		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	✓	✓	✓	✓		

The Composition of the Board of LC Logistics



Environmental, Social and Governance Report 2024

1.2 Business Ethics

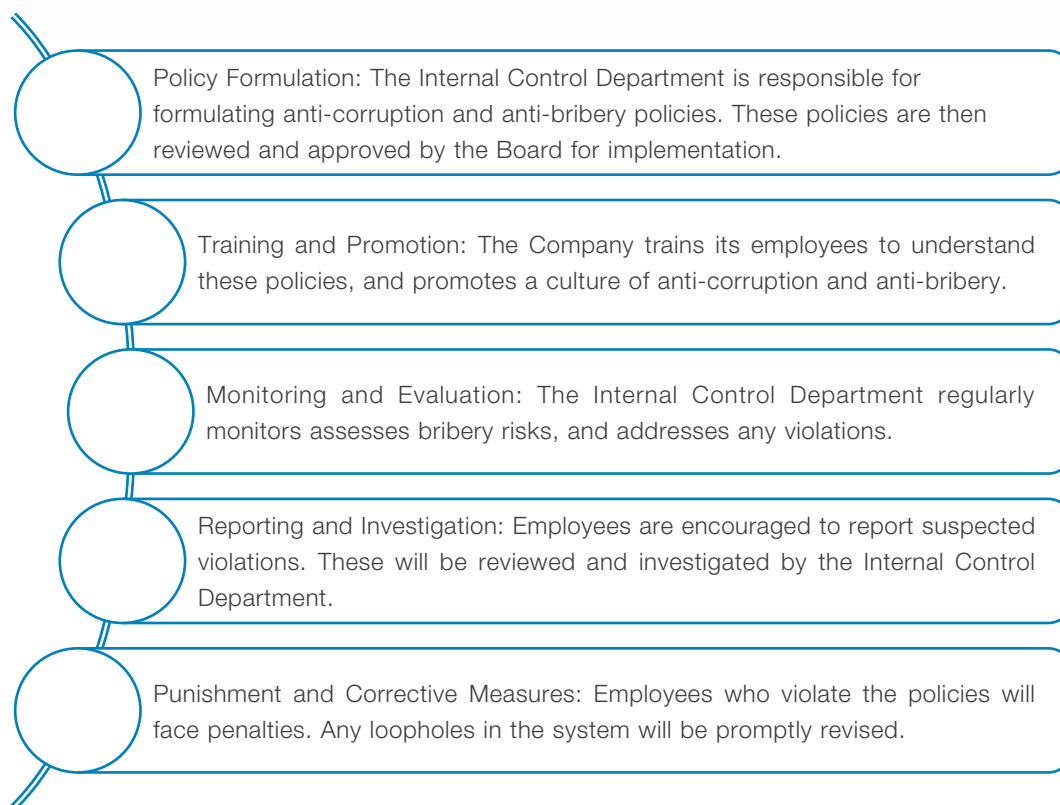
LC Logistics has always adhered to the business philosophy of integrity and probity, aiming to create a fairer and more transparent business environment by adhering to high standards of business conduct, thereby ensuring the sustainable development of the Company. We require every employee to uphold ethical principles and work tirelessly together to build an ethical and integrity-driven business environment.

1.2.1 Compliance Management

LC Logistics adheres to the principle of honest business operations, complies with laws and regulations including but not limited to the *Anti-Money Laundering Law of the People's Republic of China* (《中華人民共和國反洗錢法》) and the *Anti-Unfair Competition Law of the People's Republic of China* (《中華人民共和國反不正當競爭法》), as well as regulations set by relevant authorities. Based on the actual operating conditions of the Company, LC Logistics has formulated internal regulations including but not limited to 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》). These regulations effectively supervise and manage critical points in the Company's business management process, ensuring the legality and compliance of our operations. During the Reporting Period, we conducted 13 internal audits and 1 external audit on the management of wholly owned subsidiaries and joint ventures.



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The Anti-corruption and Anti-bribery Management Process of LC Logistics

During this year, we focused on related-party transactions as the theme and conducted training for management, financial personnel, and employees involved in related-party transactions. Through analysis and explanation of cautionary cases involving related-party transactions, the relevant personnel have gained a deeper understanding of related-party transactions, further clarified the risk points associated with them, mastered methods for compliance reviews, and thereby enhanced the Company's risk control capabilities and compliance management level, laying a foundation for the Company's sustainable growth objectives.



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LC Logistics Conducted Training on Contract Risk Management

In 2024, LC Logistics conducted training related to contract risk management for all employees of the Company, aiding them in understanding potential issues that may arise during contract signing, performance, and other processes. Through this training, all employees further enhanced their awareness of contract compliance, avoided potential legal risks, and ensured that our operations were legal and compliant.



LC Logistics Conducted Training on Contract Risk Management

LC Logistics is committed to fostering an honest operating environment and actively promoting the principle of integrity in business operations. We regard the promotion and implementation of anti-corruption initiatives as a crucial aspect of our anti-corruption efforts, disseminating the concept of honesty throughout the Company. Additionally, we regularly conduct anti-corruption training for all employees to ensure that the daily operations of LC Logistics are conducted in an upright and transparent manner, with corporate decisions being made probity and accountability. During the Reporting Period, LC Logistics face zero corruption-related litigation cases.

LC Logistics requires its affiliated companies to conduct self-examinations on anti-corruption

Regularly educates its management on anti-corruption.

Promotes anti-corruption awareness among all employees.

Anti-Corruption Measures by LC Logistics



Environmental, Social and Governance Report 2024

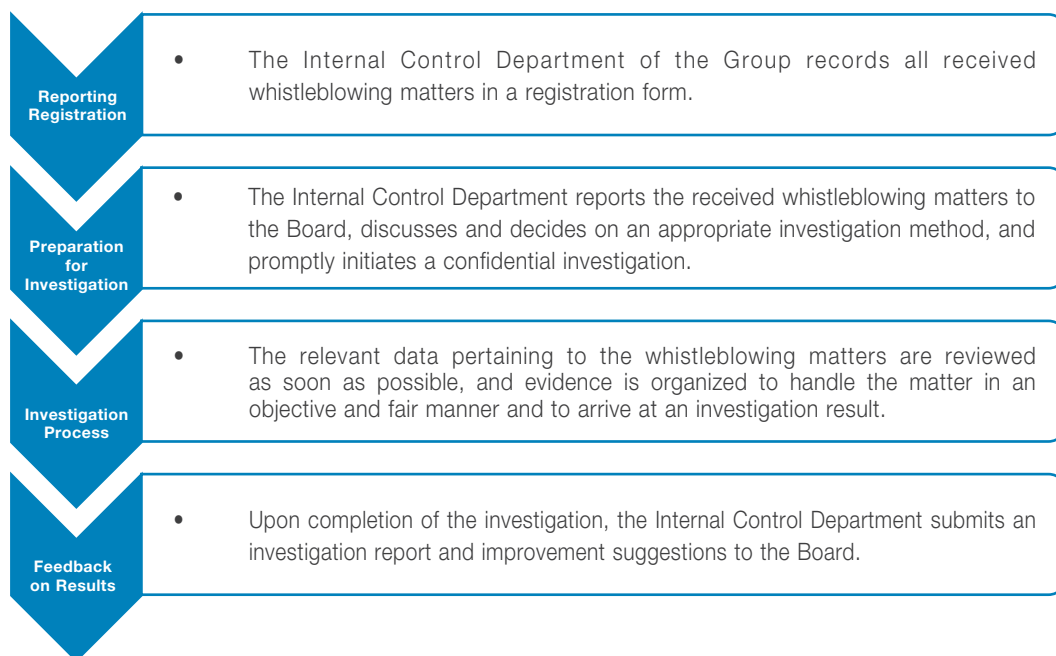
1.2.2 Whistleblowing Management

LC Logistics regards the cultivation of an honest culture as an important part of its corporate culture development. We have formulated 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》), institutionalizing the whistleblowing channels and handling mechanisms in the form of regulatory documents, thereby standardizing whistleblowing behavior and handling methods within the Company. 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



Whistleblowing Handling Mechanism of LC Logistics



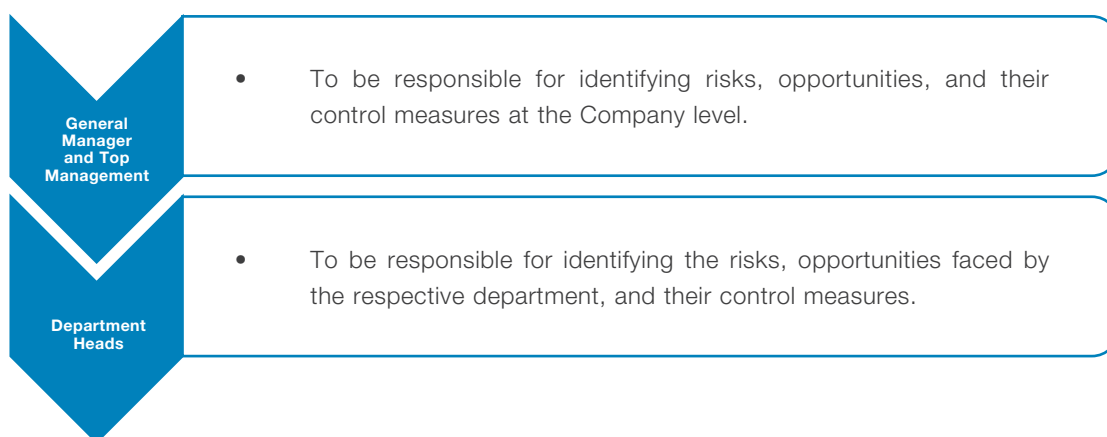
Environmental, Social and Governance Report 2024

LC Logistics supports employees in reporting confirmed cases of corruption and reasonable suspicions. In response to potential concerns of employees, we clearly safeguard the legitimate rights and interests of whistleblowers in the *Whistleblowing System of Shandong LC Logistics International Co., Ltd.* 《山東樂艙網國際物流股份有限公司舉報制度》, ensuring that whistleblowers do not suffer any unfair treatment or negative impacts due to their reporting actions. During the process of handling whistleblowing, we will conduct confidential investigations and handle the reported matters in detail and with caution, without disclosing the specific identity information of the whistleblower to any person or department without their consent.

1.3 Risk Management

LC Logistics has always attached great importance to the risk governance in the business process. This year, we have introduced the *Safety Management System of Shandong LC Logistics International Co., Ltd.* 《山東樂艙網國際物流股份有限公司安全管理制度》 and the *Emergency Response Plan of Shandong LC Logistics International Co., Ltd.* 《山東樂艙網國際物流股份有限公司突發事件應急處置預案》, further refining the responsibility attribution for risk and safety management. Additionally, relying on 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》, we have established a targeted management system for significant risks in business activities, thereby achieving precise control over business risks.

During the Reporting Period, LC Logistics updated and revised its risk management system by introducing a Major Incident Management System, a pre-execution review process for significant contracts, and modifying the contract management system. In response to new situations and issues arising during the Company's operations, we timely revised and supplemented the risk control system to ensure that the Company has early warnings and control over potential risks.



Risk Management Responsibilities at All Levels in LC Logistics



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LC Logistics has established an emergency command center to respond to potential risk events, adhering to the principles of “Unified Leadership, Graded Responsibility, Rapid Action, and Effective Disposal” to respond to security risk events within the shortest possible time, thereby ensuring the personal health of employees and the safety of corporate assets, and further promoting a safe and stable operating environment for the Company.

To safeguard intellectual property rights from infringement risks, LC Logistics has established comprehensive preventive measures and response procedures. By conducting employee technical training, risk assessments, and external exchanges and cooperation, we have implemented safeguards against intellectual property infringement risks. We emphasize that employees should avoid intellectual property infringement and have developed a comprehensive intellectual property infringement process to address potential infringement risks. As of the end of the Reporting Period, LC Logistics held 55 software copyrights and applied for 5 additional software copyrights during the year.

Intellectual Property Education and Training

- New employees receive basic intellectual property training during orientation, and incumbent employees regularly undergo updated intellectual property training to enhance their awareness of prevention through case sharing.

Risk Assessment and Management

- The Company conducts regular intellectual property risk assessments of its business activities to identify potential risks and formulate preventive measures.

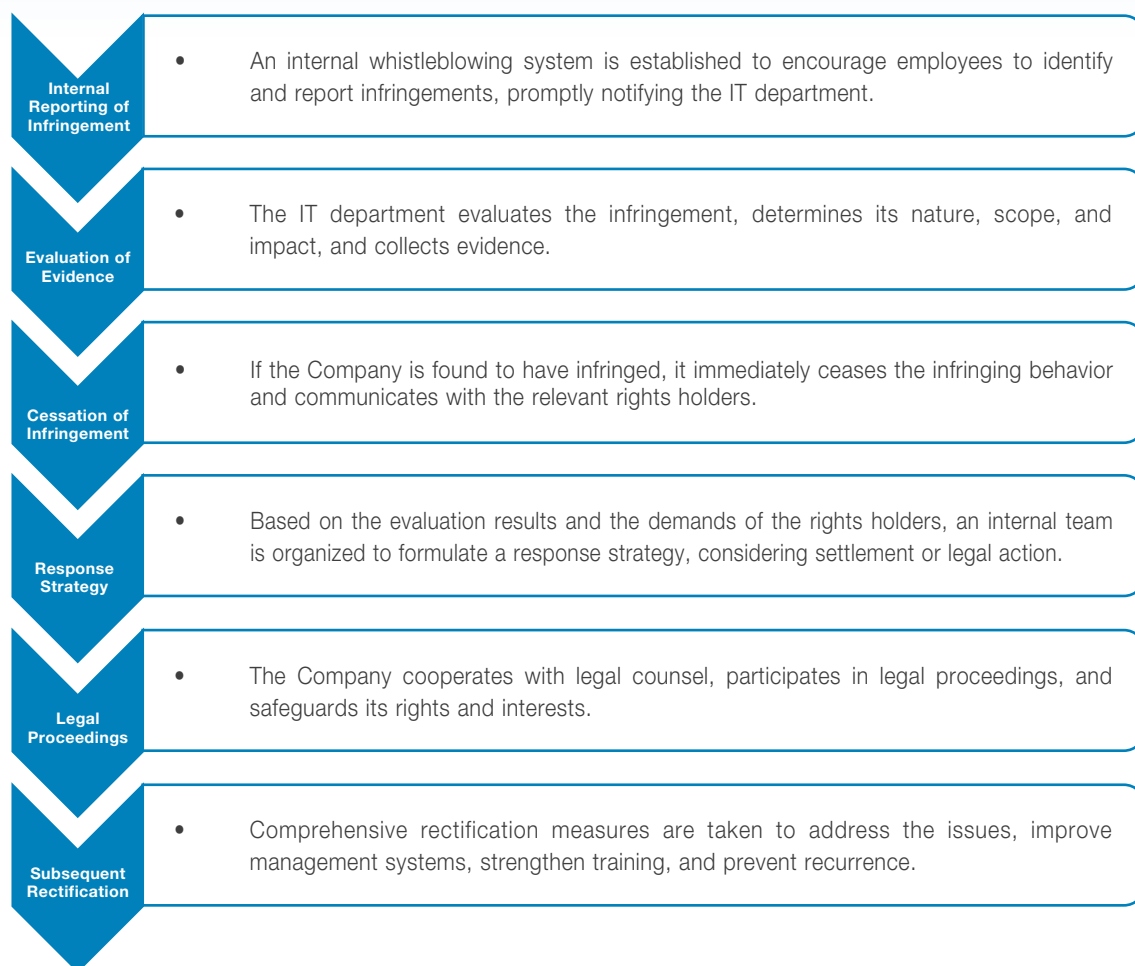
Cooperation and Exchange with external parties

- The Company collaborates with intellectual property professional organizations to obtain legal advice and support its intellectual property management and risk prevention.

Intellectual Property Risk Mitigation Framework of LC Logistics



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LC Logistics Infringement Case Handling Procedure



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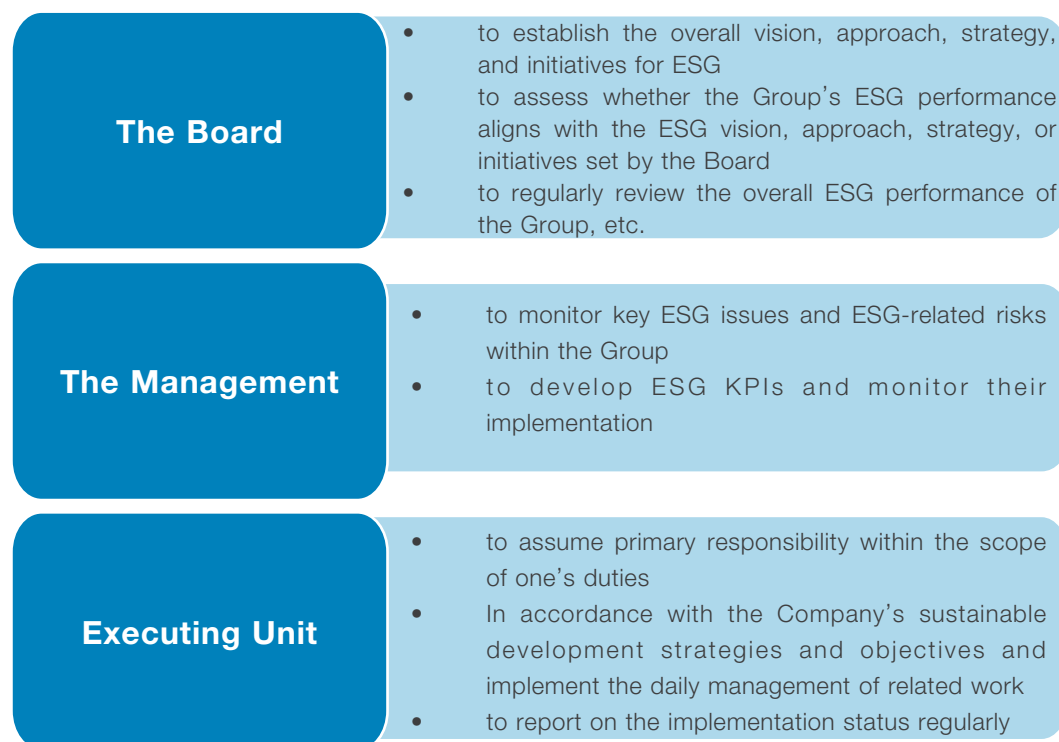
1.4 ESG Governance

LC Logistics has always prioritized long-term operations and sustainable development, thereby creating value for stakeholders and better addressing investors' concerns. We have established a sunny, transparent, and efficient ESG management system to effectively monitor the Company's ESG performance in real-time.

1.4.1 ESG Governance Structure

LC Logistics has established a comprehensive ESG management framework and integrated ESG management into all levels of the Company's operations. We have formulated 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、社會及管治制度》 and leveraged this policy to fully exert the positive role of our ESG governance structure. The Board of Directors serves as the highest decision-making body for ESG matters, primarily responsible for setting the overall vision for the Company's ESG efforts and evaluating the Company's ESG performance.

LC Logistics has incorporated climate-related risks into its overall ESG management framework and system, thereby promoting their implementation across various departments and project areas. By quantifying the overall financial impact of climate change on the Company's operations and relying on organic cooperation among various departments, we effectively manage and control risks, ensure business activities, and coordinate ESG-related workflows.



The ESG Governance Structure and Responsibilities of LC Logistics



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1.4.2 Communication with Stakeholders

LC Logistics attaches great importance to efficient communication with all stakeholders, ensuring transparency and smooth flow of information through prompt communication channels. We identify stakeholders by investigating the entities involved in our operations, select and maintain communication with them, ensuring compliance, accuracy, and completeness in the disclosure of the Company's operational information, thereby continuously safeguarding the legitimate rights and interests of all stakeholders.

Stakeholders	Issues of Concern	Communication Channels
Investors	<ul style="list-style-type: none"> • Anti-corruption and Bribery • Risk Management • Economic Effect • Corporate Governance • Business Compliance • Addressing Climate Change 	<ul style="list-style-type: none"> • General Meeting • Press Releases and Announcements • Disclosed Reports • Temporary Report • News Published on the Company's Website
Employees	<ul style="list-style-type: none"> • Diversity and Equality • Compliant Employment • Training and Development • Child Labor and Forced Labor • Caring for Employees • Benefits and Compensation • Occupational Health and Safety 	<ul style="list-style-type: none"> • Channels for Complaints • Special Topic Training
Government	<ul style="list-style-type: none"> • Business Compliance • Environmental Compliance • Energy Management and Greenhouse Gas Emissions • Waste Management 	<ul style="list-style-type: none"> • Regulatory Oversight and Inspection
Community	<ul style="list-style-type: none"> • Community Public Welfare 	<ul style="list-style-type: none"> • Company's Website • Email and Telephone Communications
Customers	<ul style="list-style-type: none"> • Shipping Safety Assurance • High-quality Services • Safeguards Customer Privacy 	<ul style="list-style-type: none"> • Press Releases and Announcements • Email and Telephone Communication • Customer Service Platforms • Customer Satisfaction Surveys
Suppliers	<ul style="list-style-type: none"> • Business Ethics • Responsible Procurement • Suppliers Management 	<ul style="list-style-type: none"> • On-site Evaluations • Press Releases and Announcements • Partner Conferences • Specialized Training Sessions



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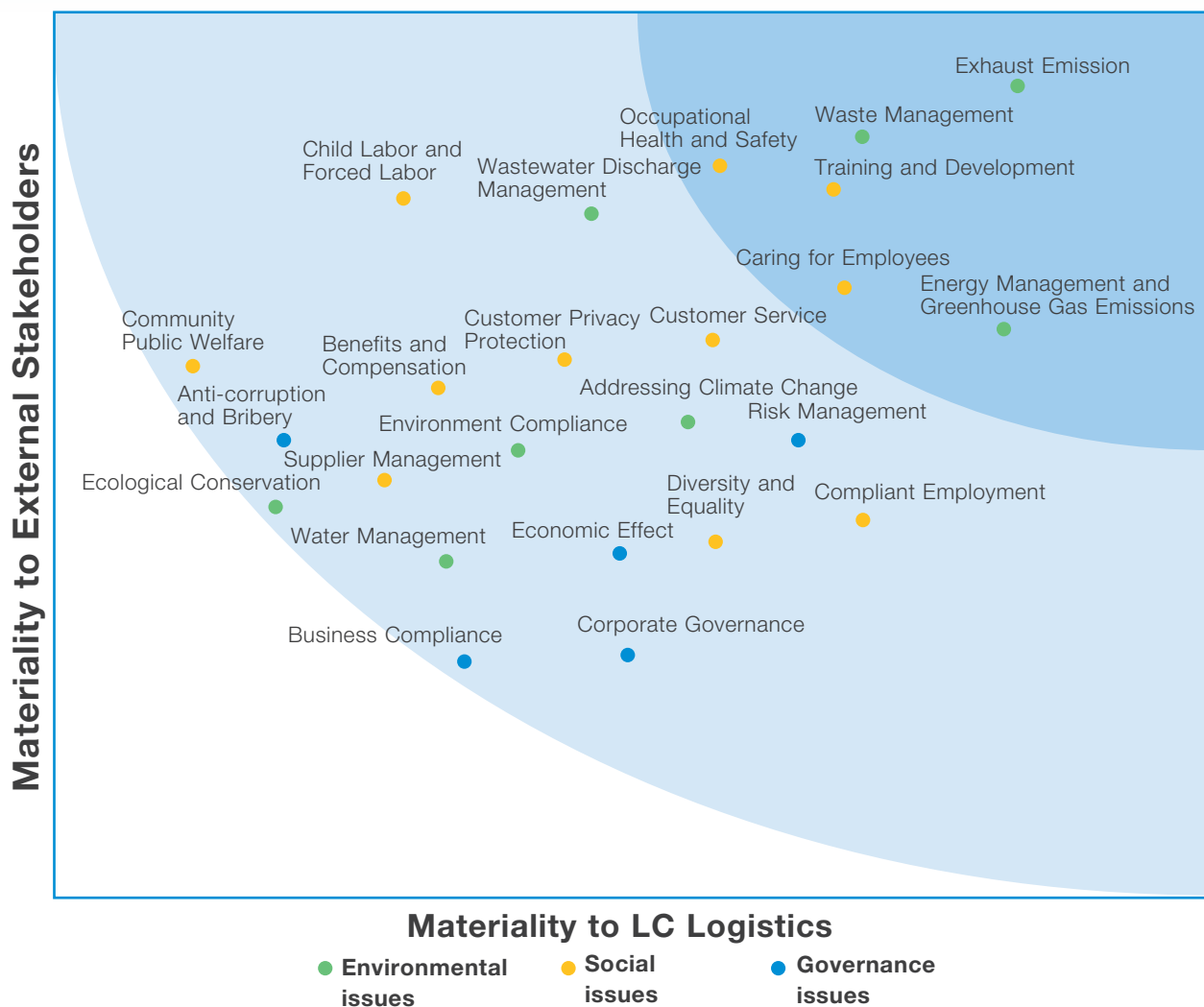
1.4.3 Materiality Assessment

LC Logistics, in accordance with the substantive issue identification process outlined in documents such as the *ESG Reporting Guide of the Stock Exchange* (《ESG 報告指引》) of Hong Kong, has conducted research on the Company's substantive issues jointly with internal and external stakeholders. Currently, the Company has identified six highly material issues and eighteen moderately material issues. The substantive issues reviewed and determined by the Company's Board will be prominently disclosed and addressed in this report, thereby effectively responding to the concerns of internal and external stakeholders. The material ESG issues for LC Logistics are as follows:

Materiality	Name of the Issues
Highly Material Issues	Exhaust Emissions
	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



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Matrix of Material Issues of LC Logistics



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2 Green Development

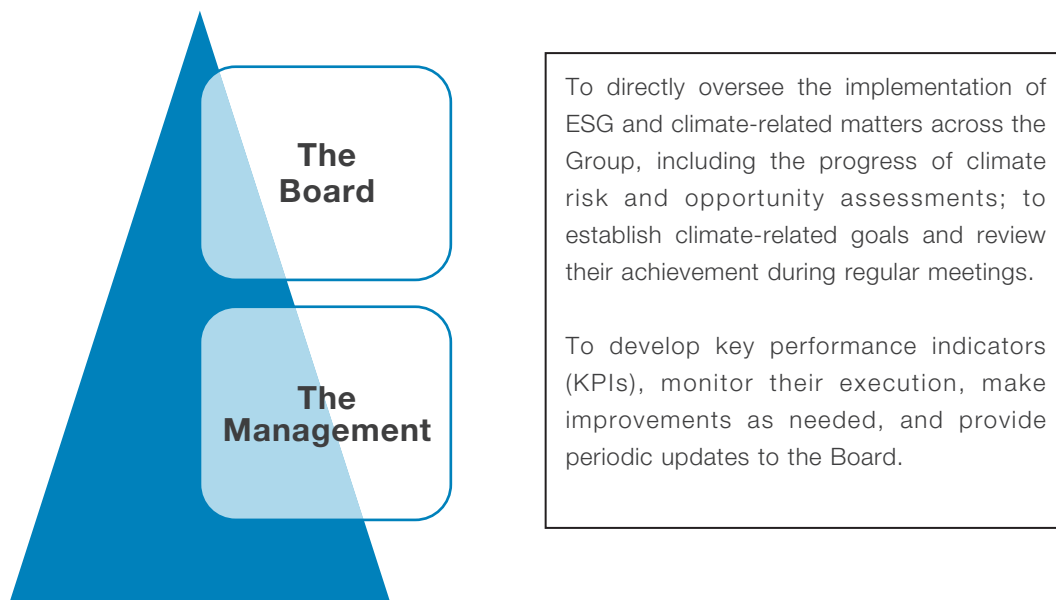
LC Logistics is committed to implementing environmental protection principles, continuously improving its environmental management system, and actively exploring and implementing potential energy-saving, emission-reduction, and resource-efficient measures. We are also advancing the identification, assessment, and response to climate change risks, enhancing our overall environmental risk management capabilities to support the Company's green development goals.

2.1 Addressing Climate Change

With global greenhouse gas emissions on the rise, climate change risks have become a global consensus. LC Logistics places high importance on the impacts of climate change, actively identifies related risks, and develops corresponding measures. We have integrated climate change risks into our enterprise risk management framework, striving to explore adaptation and mitigation strategies.

2.1.1 Governance

LC Logistics incorporates climate-related issues into its ESG governance system, establishing a dedicated climate change governance structure led by the Board of Directors, with oversight by the management team. The systematic and scientific governance mechanism strengthens our ability to manage climate change risks and opportunities, enhancing strategic adaptability and operational efficiency in addressing climate challenges, thereby providing a solid foundation for achieving sustainable development goals.



LC Logistics' Governance Framework to Address Climate Change



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2.1.2 Strategy

In 2024, LC Logistics systematically advanced the identification and assessment of climate change risks. For identified physical and transition risks, we developed tiered response strategies and integrated them into daily operations. Based on the actual impact and time horizon of these risks, we implemented differentiated control measures, continuously optimizing our risk management mechanisms and improving our capacity to address climate change risks. We also identified and seize opportunities arising from climate change, refining operational strategies and upgrading strategic plans to transform challenges into drivers of growth, positioning the Company to capitalize on green development opportunities.

Risk Category		Risk Description		Financial Impact	Impact Period	Countermeasures
Physical risks	Acute	Tsunami, rainstorm, flood and other natural disasters	Natural disasters may cause damage to port facilities, vessel delays, damages or suspensions, affect cargo delivery and supply chain disruptions, and threaten the safety of ships, crew and cargo	Medium-term: potential increases in vessel maintenance costs, cargo delay compensations, and rising insurance expenses Long-term: possible revenue reduction due to adjustments in shipping routes, port selections, or changes in shipping models	Medium-to-long-term	<ol style="list-style-type: none">1. Invest in vessels with enhanced adaptability to extreme weather conditions, such as those designed for greater resistance to wind and waves, to improve safety and risk resilience2. Develop a comprehensive emergency response system and post-disaster recovery plan to ensure rapid operational recovery following disasters3. Invest in advanced weather forecasting and navigation monitoring technologies to track real-time weather conditions and disaster risks4. Enhance insurance coverage for extreme weather events, including comprehensive protection for cargo and vessels, to mitigate financial losses caused by natural disasters



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Risk Category		Risk Description	Financial Impact	Impact Period	Countermeasures
Extreme	weather such as typhoons and cyclones	Adverse weather conditions may cause deviations in vessel speed and direction, forcing ships to alter routes, resulting in navigation delays. Severe weather can also hinder vessel berthing, leading to delays in delivering goods to downstream businesses and increasing the risk of contract breaches	Medium-term: disruptions in transportation and supply chain interruptions may lead to a decline in business completion rates, resulting in reduced revenue Long-term: failure to meet contractual obligations on time may increase breach costs	Medium-to-long-term	
Chronic	Rising sea level	Rising sea levels may impact port infrastructure, leading to operational disruptions or reduced berthing capacity, thereby affecting vessel loading and unloading efficiency	Medium-term: potential increases in vessel maintenance costs, environmental compliance expenses, and operational costs due to port renovations Long-term: possible costs associated with port relocation, reconstruction, or adjustments to shipping networks	Medium-to-long-term	<ol style="list-style-type: none"> 1. Invest in upgrading existing port facilities, implementing long-term protective measures such as flood prevention and seawall construction to ensure ports remain operational despite rising sea levels 2. Adopt high-temperature-resistant materials and equipment to enhance vessel resilience to heat, increasing the frequency of inspections and maintenance to ensure equipment reliability in high-temperature environments 3. Regularly assess the impact of climate change on shipping routes, making flexible adjustments to avoid areas significantly affected by climate change 4. Strengthen research on climate change trends, predict long-term risks, and develop corresponding strategic plans



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Risk Category		Risk Description	Financial Impact	Impact Period	Countermeasures
		Ocean acidification and rising sea temperatures	Medium-term: increased vessel maintenance costs, higher frequency of equipment replacements, and rising operational expenses Long-term: additional capital expenditure for corrosion-resistant materials and technologies, as well as increased costs for route adjustments	Medium-to-long-term	
Transition risks	Emerging policy risk	As global attention on carbon emissions and climate change intensifies, policies in the shipping industry are becoming increasingly stringent. For instance, the International Maritime Organization (IMO) has introduced the 2020 Global Sulphur Cap regulation and set future decarbonization targets, such as achieving net-zero emissions by 2050, likely to significantly impacting the operational models of shipping companies	Long-term: failure to comply with relevant regulations may result in fines and legal penalties, while requiring continuous investment in green technology upgrades and operational adjustments	Long-term	1. Invest in vessels and technologies that meet environmental standards in advance 2. Establish partnerships with green technology suppliers to explore the use of alternative fuels 3. Enhance communication with governments and industry organizations to stay informed and respond promptly to policy changes



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Risk Category	Risk Description	Financial Impact	Impact Period	Countermeasures
Technology risk	The shipping industry is under pressure to undergo technological transformation, including innovations in fuel efficiency, automation, and digitalization. Failure to adopt emerging technologies in a timely manner or adapt to digital transformation may lead to reduced operational efficiency, increased costs, and even the risk of market obsolescence	<p>Short-term: High initial investment costs for upgrading green fuel systems, navigation systems, automated processes, and data security systems</p> <p>Medium-term: Cost savings from improved operational efficiency and fuel savings due to technological optimization</p>	Short-to-medium term	<ol style="list-style-type: none"> 1. Continuously invest in R&D and gradually adopt new technologies 2. Establish partnerships with technology suppliers and closely monitor advancements in industry technologies 3. Train employees to enhance digital skills
Market risk	As society places greater emphasis on the circular economy and environmental responsibility, shipping companies face pressure to transform their business models. The growing demand for green shipping may disrupt traditional fuel-dependent operations	<p>Medium-term: if green shipping becomes mainstream, failure to transition in a timely manner may result in a disadvantaged market position</p> <p>Long-term: with the sustained growth in demand for sustainable shipping services, companies that fail to achieve green transformation risk missing out on market opportunities</p>	Medium-to-long-term	<ol style="list-style-type: none"> 1. Initiate green transformation early to enhance environmental capabilities and attract sustainability-focused clients 2. Collaborate with eco-friendly industries, such as renewable energy, to secure future contracts 3. Diversify business models by exploring green shipping solutions, such as LNG-powered vessels and carbon-neutral logistics



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Risk Category		Risk Description	Financial Impact	Impact Period	Countermeasures
	Reputation risk	As global attention on climate issues continues to grow, stakeholders may raise higher expectations for companies' actions and achievements in addressing climate change. Slow progress could not only erode public trust but also damage brand reputation and market position. Environmental incidents (e.g., oil spills), safety issues, or non-compliance with environmental regulations may also cause long-term harm to the Company's reputation	Short-term: accidents or negative news may lead to loss of client contracts, investigations, or fines Medium-term: costs associated with reputation repair, including crisis PR, legal fees, and environmental remediation Long-term: declining public trust may result in customer attrition, reduced market share, and weakened investor confidence	Short-to-long-term	<ol style="list-style-type: none">1. Establish robust risk management and environmental incident response plans to minimize the likelihood of accidents2. Regularly publish transparent ESG reports to showcase the Company's achievements in environmental and social responsibility3. Invest in social responsibility projects to enhance brand image and build positive relationships with communities
	Opportunities	Products and services	The Company may consider promoting the research, development, and application of new environmentally friendly vessels, such as electric ships, hydrogen-powered ships, or wind-assisted propulsion technologies, to establish green shipping services	Medium-term: initial investments in green vessels and eco-friendly technologies may increase capital expenditure Long-term: the widespread adoption of green vessels will enhance the Company's competitiveness in environmental sustainability, leading to long-term cost savings and brand value improvement	Medium-to-long-term



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Risk Category	Risk Description	Financial Impact	Impact	Countermeasures
			Period	
Resource efficiency	By improving resource efficiency, such as optimizing vessel fuel consumption, enhancing voyage planning efficiency, and reducing empty sailing rates, operational costs and carbon emissions can be effectively reduced	Medium-term: investments in technology and system optimization may lead to increased R&D and operational costs Long-term: As resource efficiency continues to improve, profit margins will gradually expand, and global competitiveness in the environmental market will strengthen	Medium-to-long-term	<ol style="list-style-type: none">1. Leverage big data, IoT, and AI technologies to enable intelligent management of shipping processes, enhancing vessel operational efficiency and resource utilization2. Regularly conduct energy-saving upgrades on vessels to improve fuel efficiency and reduce emissions3. Utilize advanced shipping scheduling systems and predictive models to optimize route design, minimizing unnecessary fuel consumption and empty voyages

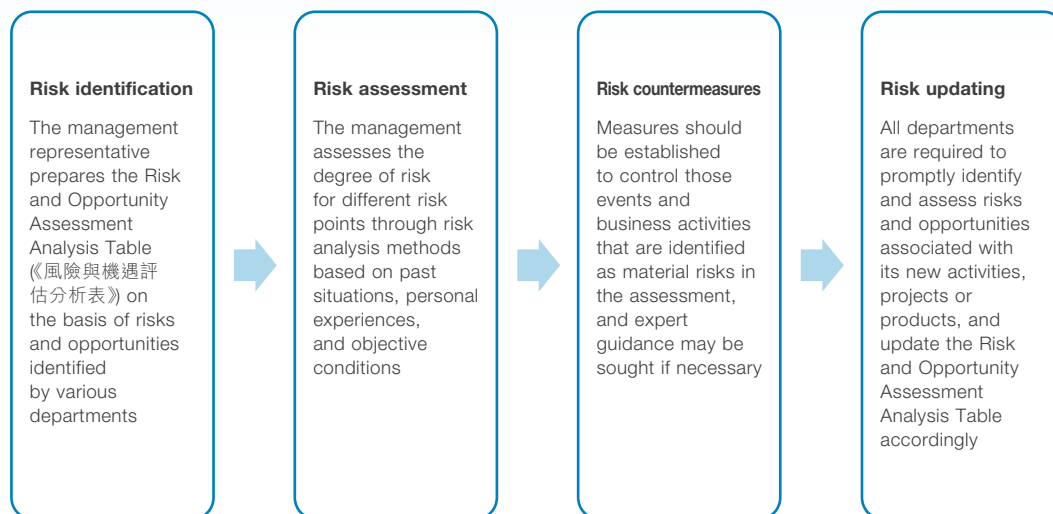
2.1.3 Risk Management

LC Logistics has integrated climate change risk management into its ESG and enterprise risk management systems, designating it as a material issue. We systematically track the implementation of risk management across departments and business units, continuously quantifying the operational, governance, and financial impacts of climate change. Through an integrated risk management framework, we have established regular reporting mechanisms to ensure the effectiveness and transparency of climate change risk management.

To address physical climate risks such as extreme weather and natural disasters, LC Logistics has developed the *Safety Management System of LC Logistics, Inc.* (《山東樂艙網國際物流股份有限公司安全管理制度》) and the *Emergency Response Plan of Shandong LC Logistics International Co., Ltd.* (《山東樂艙網國際物流股份有限公司突發事件應急處置預案》). These documents cover the entire process of risk identification, assessment, response, and dynamic updates, ensuring the safety of personnel, vessels, and cargo, and enhancing the Company's resilience to climate risks.



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Full-process Climate Change Risk Management

To effectively mitigate climate change risks, LC Logistics has formulated the *Vessel Emergency Manual* (《船舶應急手冊》), ensuring rapid activation of crisis response mechanisms during extreme weather events or major incidents to maintain business continuity. By monitoring climate change developments in real-time and pre-deploying protective measures and emergency equipment, we minimize the impact of physical climate risks. Additionally, we conduct annual emergency drills to optimize response processes, ensuring efficiency and reliability, and significantly improving our adaptability to climate risks. In 2024, no safety incidents caused by extreme weather were reported.

While addressing climate change risks, LC Logistics prioritizes emission reduction as a core strategy, systematically advancing greenhouse gas reduction targets. By optimizing our energy management system, we integrate energy-saving and emission-reduction measures into the design and operational processes, reducing carbon emission intensity. Furthermore, driven by technological innovation, we embed low-carbon principles into our products and services, actively promoting green shipping solutions and leveraging our technical expertise to contribute to carbon neutrality goals, leading the industry's green transformation.



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2.1.4 Metrics and Targets

Guided by the short-term, medium-term, and long-term emission reduction targets set by the International Maritime Organization (**IMO**), we systematically calculate and disclose our operational carbon emissions data annually, comprehensively assessing environmental performance and optimizing emission reduction measures to minimize negative environmental impacts. Our energy consumption and carbon emission targets 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 ₂ e/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 ₂ e/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 2024
GHG emissions ¹	Scope 1 GHG emissions	tCO ₂ e	40,322.07
	Scope 2 GHG emissions	tCO ₂ e	225.92
	Total GHG emissions	tCO ₂ e	40,547.99
	GHG emissions per unit revenue	tCO ₂ e/RMB10,000	0.2083

2.2 Green Shipping

LC Logistics actively implements energy management optimization and advances green shipping practices while promoting eco-friendly office operations. Through scientific energy control, we have effectively reduced operational energy consumption and carbon emissions. By adopting environmental measures in vessel operations and daily office activities, we contribute to marine ecosystem protection and the green development of the industry.

¹ Scope 1 GHG emissions are derived from the consumption of gasoline, diesel, low sulfur fuel oil and natural gas. Scope 2 GHG emissions are derived from the consumption of purchased electricity. In 2024, the emission factor for electricity is based on the national grid emission factor for 2022, which is 0.5366 tCO₂/MWh, as specified in the CO₂ emission factors for electricity in 2022 (《2022年電力二氧化碳排放因子》) published by the Ministry of Ecology and Environment, National Bureau of Statistics of the People's Republic of China.



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2.2.1 Energy Management

LC Logistics prioritizes energy management, establishing a comprehensive system to ensure efficient energy use. By introducing Air Lubrication System (ALS), real-time monitoring of vessel parameters, and monthly energy consumption analysis, we have significantly reduced energy use and carbon emissions in vessel operations, laying a solid foundation for achieving green shipping goals.

Introduce ALS for ocean-going vessels to monitor fuel consumption in real time and optimize voyage efficiency

Develop the proprietary VRC reporting system to promptly collect vessel operational data, enhancing management transparency

Require vessels to submit monthly reports on fuel consumption and voyage distance, enabling precise analysis of energy usage trends and the formulation of improvement measures

Energy-Saving Initiatives

VRC Vessel Real-Time Monitoring System

The Company utilizes the VRC reporting system to monitor key vessel parameters in real time, including cargo load, speed, weather conditions, sea state, main engine RPM and theoretical speed, main engine power output, auxiliary engine operation count, runtime and power, fuel and lubricant consumption, as well as sludge and wastewater generation. Based on comprehensive analysis of this data, we accurately assess vessel equipment performance, ensuring it operates efficiently and safely.

At Sea Noon Report - NR

*Vessel Name: LCAW QINGDAO *Voyage No.: 2405W *Operator: LCAW *Service Code: CFX *Master's Name: DENG DABO

*Last Departure Port: SINGAPORE *Next Port: TAMATAVE *Time Zone: UTC+5

*Noon Report Date and LT: 2024-11-13 12:00 *Date and Time (UTC) Noon Report: 2024-11-13 07:00 Noon Position *LAT: 07-02.6 *LONG: 107-27.4

*Distance made good (Distance Over Ground) Since last report (Nm): 240.0 *Doppler distance, since last report (distance over water) Since Last Report (Nm): 245.0 *Engine Distance Since Last Report (Nm): 313.68

*Steaming time since last report (Hrs): 24.0 *Average speed made good since last report: 10.00 Kt *Distance to next port (pilot station): 1502.0 Nm *Next Port Time Zone: UTC+3

*ETA Pilot station local time: 2024-11-19 20:00 *ETA Pilot Station (UTC): 2024-11-19 17:00 *NOT APPLICABLE *ETB local time (if known): *ETD Local Time (if known):

*M/E Load: 58.9 % *Average RPM: 143.6 *Slp: 23.5 %

*Shaft Generator in use or not: N/A

A/E running hrs since last report

*No. 1: 24 Hrs 150 KW *No. 2: 0 Hrs 0 KW

*No. 3: 0 Hrs 0 KW *No. 4: 0 Hrs 0 KW

*Boiler Running Hours since last report: 0 Hrs

*Total Number of Reefer Containers on board: 0 Unit

Arrival Next Port condition

*Draft condition: SW

*Draft Fwd: 7.4 Mtrs *Draft Aft: 7.7 Mtrs

*GM: 0.75 Mtrs *BW: 3031 Mts

Weather information

*Wind Direction and Force: WSW/7 ie. NE/3

*Sea/Swell Direction and Height (Mtrs): SW/2.5 ie. NE/1.2

*Scrubber: N/A *Running Hrs: Hrs *Load: KW

*SCR: N/A *Running Hrs: Hrs *Load: KW

*BWTS Status: Operational

*Ballast water changed: NO

Consumption Since Last Report

HFO (More than or Equal to 80CST)

*HSFO(S Content>0.5%): 0 Mts

*LSFO(S Content<0.5%): 11.60 Mts

LFO(Less than 80CST)

*HSFO(S Content>0.5%): 0 Mts

*LSFO(S Content<0.5%): 0 Mts

*LSFO: 11.60 Mts

*LSMGO: 0 Mts

*MECYLLO: 140 Ltrs

*MESYSLO: 0 Ltrs

*AESYSLO: 0 Ltrs

*FW: 5 Mts

Fresh Water Generated since last report: 10.1 Mts

Sludge Incinerated Since Last Report: 0 Mts

ROB at Noon

HFO (More than or Equal to 80CST)

*HSFO(S Content>0.5%): 0 Mts

*LSFO(S Content<0.5%): 537.67 Mts

LFO(Less than 80CST)

*HSFO(S Content>0.5%): 0 Mts

*LSFO(S Content<0.5%): 0 Mts

*LSFO: 537.67 Mts

*LSMGO: 66.80 Mts

*MECYLLO: 17105 Ltrs

*MESYSLO: 9275 Ltrs

*AESYSLO: 10640 Ltrs

*FW: 205 Mts

Sludge: 3.74 Cbm

*Bilge water ROB: 2.5 Cbm



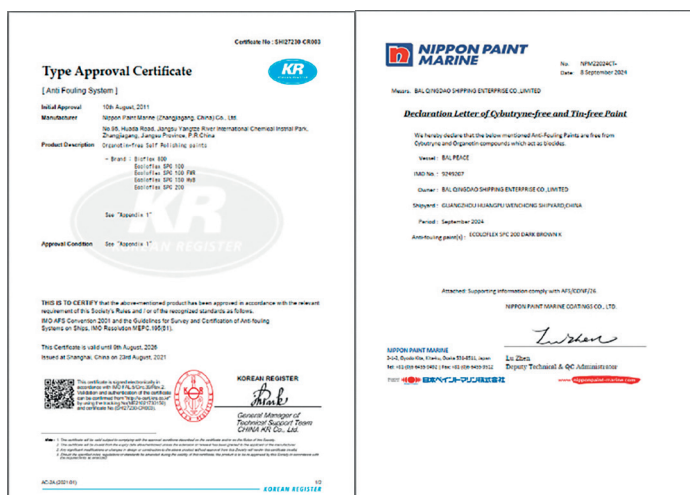
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During the Reporting Period, LC Logistics' energy usage metrics are as follows:

Indicator	Indicator	Unit	Data for 2024
Energy	Gasoline consumed by own vehicles	liter	38,305.53
	Diesel consumed by own vehicles	liter	901,888.66
	Natural gas consumed by own vehicles and vessels	m ³	1,885.72
	Total consumption of low sulfur fuel oil ²	ton	12,409.54
	Purchased electricity	kWh	421,018.05
	Comprehensive energy consumption ³	kWh	154,003.647.90
	Comprehensive energy consumption per unit revenue	kWh/RMB10,000	791.23

2.2.2 Green Vessels

LC Logistics actively promotes the concept of green vessels, aiming to reduce the environmental impact of shipping. By adopting eco-friendly hull antifouling coatings, regularly addressing oil, water, and gas leaks, and using fuel additives, we have significantly improved vessel cleanliness and fuel efficiency. Additionally, leveraging big data to optimize route planning has further reduced fuel consumption and carbon emissions, supporting our green shipping goals. During the Reporting Period, all managed vessels met seaworthiness requirements and complied with the anti-pollution systems and coatings regulations outlined in the *MARPOL Anti-pollution Convention* (《MARPOL 防污公約》), obtaining relevant certifications.



Certifications for Vessel Anti-Pollution Systems and Coatings

- ² The total consumption of low sulfur fuel oil is based on the vessels owned and operated by the Company.
- ³ Comprehensive energy consumption comprises direct energy consumption and indirect energy consumption. Direct energy consumption includes the consumption of gasoline, diesel and natural gas for owned vehicles and vessels, and low sulfur fuel oil, 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.



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2.2.3 Green Office Operations

The Company actively implements green office practices by promoting low-carbon awareness among employees, adopting resource-saving measures, and utilizing cloud computing and virtualization technologies. These efforts have significantly reduced office energy and resource consumption. During the Reporting Period, we incorporated energy-saving suggestions into daily performance evaluations and conducted HSE (Health, Safety, and Environment) training to enhance employees' environmental awareness and engagement.

Water Saving

To post warning signs reminders to control cleaning water usage

Electricity Saving

To check air conditioning temperature settings after work hours and prioritize the purchase of energy-efficient IT equipment and supplies

Paper Reduction

To promote paperless operations and OA systems, adopt double-sided printing, and encourage reuse of scrap paper

Cloud Computing and Virtualization

To reduce the need for physical servers by adopting cloud services and virtualization technologies

Green Office Initiatives

HSE Training for All Employees

In 2024, LC Logistics provided HSE training to all employees, systematically covering safety knowledge and skills, including fire prevention, lightning protection, theft prevention, safety behavior management, energy conservation, and environmental protection. The training emphasized practical guidance, such as the use of fire extinguishers, earthquake evacuation, crowd safety evacuation techniques, and daily energy-saving methods. The training helped employees understand the importance of safety and enhanced their awareness of safety precautions and emergency response capabilities.





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2.3 Environmental Management and Emission Control

Emissions not only disrupt ecological balance but also pose potential risks to human health. LC Logistics is committed to optimizing the environmental management system, to ensure environmental compliance across all operational levels, from strategic planning to execution. While maintaining compliance in air, water, and waste emissions, we actively implement pollutant reduction measures to minimize environmental impact.

2.3.1 Environmental Management

In 2024, LC Logistics continued to optimize its environmental management system, aligning with industry regulations and technical standards. Updates were made to vessel certification management procedures, risk assessment processes, and maintenance protocols for CO₂ fixation systems, enhancing operational efficiency and compliance. Additionally, the Vessel Emergency Manual (VEM) 《船舶應急手冊》 and Shipboard Oil Pollution Emergency Plan 《船舶油染應急計劃》 (SOPEP) were formulated and implemented, establishing clear procedures and responsibilities for incidents such as extreme weather and oil spills. These measures reinforce the Company's commitment to safe and environmentally responsible vessel operations.

Environmental management remains central to our sustainability strategy. We have developed a systematic approach to environmental governance and strengthening employees' awareness and emergency response capabilities. By setting measurable environmental targets, we continuously monitor and optimize performance to align operational activities with ecological conservation.

Environmental Management Targets

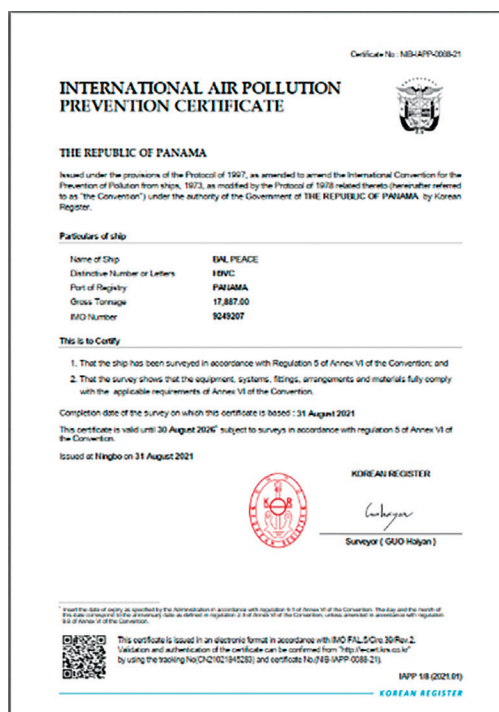
- Pollution incident rate below 5%
- Improve and upgrade pollutant treatment equipment and emission management measures for all operational vessels
- Reduce fuel consumption and gaseous pollutants at the source, and improve the transportation energy efficiency
- Operate and manage electrical equipment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



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2.3.2 Air Emissions Management

LC Logistics strictly complies with 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》 and 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》, as well as the Provisions of Annex of the MARPOL Anti-pollution Convention regarding the sulfur content of ship fuels not exceeding 0.5% m/m. By the end of the Reporting Period, we had fully adopted low-sulfur fuels, maintaining sulfur content below 0.5% m/m, and further reducing it to 0.1% m/m within Sulfur Emission Control Areas (SECAs) to mitigate air pollution from sulfur oxides. All managed vessels meet seaworthiness requirements and comply with air pollution control standards under the MARPOL Convention, with the necessary certifications for atmospheric pollution prevention.



International Air Pollution Prevention Certificate (Selected Vessels)

During the Reporting Period, the exhaust emissions of LC Logistics are as follows:

Indicator	Indicator	Unit	Data for 2024
Exhaust emissions ⁴	NOx emissions	ton	944.69
	SOx emissions	ton	56.38
	Particulate matter (PM) emissions	ton	84.83

⁴ The calculation method of exhaust gas mainly refers to the method of the Clean Cargo Working Group (CCWG).



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2.3.3 Wastewater Management

LC Logistics strictly adheres to *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 *Effluent standard for pollutants from ship* 《船舶污染物排放標準》, implementing stringent wastewater treatment procedures to minimize environmental impact.

All vessel-generated wastewater is required to pass through an oil-water separator before being discharged, ensuring compliance with regulatory standards. Routine inspections are conducted to maintain treatment efficiency. By the end of the Reporting Period, all managed vessels met seaworthiness requirements, complied with wastewater discharge regulations under the *MARPOL Anti-pollution Convention*, and obtained the necessary oil pollution prevention certificates.

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	DAL PEACE
Distinctive Number or Letters	HEVC
Port of Registry	PANAMA
Gross Tonnage	17,887.00
Deadweight (metric tons)	-
IGD Number	504507

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
☒ 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.

For circulation:

This certificate is issued in an electronic format in accordance with IMO FAL 5/GS/26/Rev.2. Validator and authentication of the certificate can be confirmed from "http://eas.krs.co.kr" by using the tracking No (KIC123000000) and certificate No (KOPPA007521).

KOREAN REGISTER

INTERNATIONAL OIL POLLUTION PREVENTION CERTIFICATE

KOREAN REGISTER

International Oil Pollution Prevention Certificate (Selected Vessels)

We maintain strict oversight of wastewater discharge compliance and risk management for accidental spills. No oil spill incidents occurred within the Reporting Period.



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Spill Emergency Response Protocol	Wastewater Storage and Compliant Discharge	Third-Party Spill Control Agreement
<ul style="list-style-type: none">• The <i>Vessel Emergency Manual</i> outlines response measures for oil spills, covering the entire process from immediate actions to follow-up procedures• Each vessel has a customised <i>Ship Oil Pollution Emergency Plan</i> specifying reporting requirements, discharge controls, coordination procedures, and a list of emergency equipment	<ul style="list-style-type: none">• Collected wastewater is stored in onboard holding tanks• When a vessel is at least 12 nautical miles from the nearest land and outside special areas, wastewater is processed using a 15 ppm oil-water separator before discharge overboard while underway	<ul style="list-style-type: none">• A dedicated agreement with third-party service providers ensures a prompt and effective response to oil spills at ports, including pollution control and spill recovery measures

Oily Wastewater Management Measures

Wastewater discharge data for the Reporting Period is as follows:

Indicator	Indicator	Unit	Data for 2024
Wastewater discharge	Wastewater discharge volume ⁵	ton	66,332.01
	Wastewater discharge volume per unit revenue	ton/RMB10,000	0.3408

⁵ The domestic wastewater discharged by employees in the office area of the Company is calculated as “domestic wastewater=water consumption × 80%”.



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2.3.4 Solid Waste Management

LC Logistics complies with 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》 and the *MARPOL Anti-pollution Convention*, continuously refining waste management practices to ensure the lawful and compliant classification, collection, storage, transportation, and disposal of solid waste while minimizing environmental impact.

In accordance with the *MARPOL Anti-pollution Convention* and the *International Code for Ships Operating in Polar Waters* 《國際極地水域運作船舶規則》, we continuously enhance waste management systems. Strict waste segregation policies are enforced, with waste stored, incinerated, and disposed of following regulatory requirements to ensure operational compliance and environmental responsibility.

General Waste	Hazardous Waste
<ul style="list-style-type: none">Vessels minimise waste generation and discharge ground or shredded domestic waste as far from land as possibleWaste is sorted and processed in strict accordance with the Garbage Management Plan, with all plastic waste prohibited from being discharged into the sea	<ul style="list-style-type: none">Oily waste and garbage must be disposed of onshore when vessels call at portsAnti-fouling paints used on hulls are free of cybutryne and tin to reduce hazardous wasteAn electronic waste recycling and reuse programme is in place to minimise e-waste

Waste Management Measures

Waste discharge data of LC Logistics for the Reporting Period is as follows:

Indicator	Indicator	Unit	Data for 2024
Waste discharge	Total non-hazardous waste generation	ton	44.81
	Total hazardous waste generation	ton	41.89
	Total waste generation	ton	86.70
	Non-hazardous waste discharge per unit revenue	kg/RMB10,000	0.2302
	Hazardous waste discharge per unit revenue	kg/RMB10,000	0.2152



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2.4 Resource Utilization

LC Logistics regards resource conservation as a key element of green development. In strict compliance with the *Water Law of the People's Republic of China* 《中華人民共和國水法》 and other relevant regulations, we continuously optimize resource management, promote resource recycling while reducing resource consumption, and integrate green development principles into daily operations to achieve both economic and environmental benefits.

For LC Logistics, efficient water use is a critical aspect of our sustainability efforts. All vessels are equipped with advanced water makers that desalinate seawater, storing the distilled water in freshwater tanks for daily use in living quarters, kitchens, and engine rooms, significantly reducing reliance on external freshwater sources. Additionally, vessels are required to monitor freshwater consumption daily. Any abnormal usage must be reported immediately, investigated, and addressed to ensure optimal water efficiency.

The Company's water consumption⁶ during the Reporting Period is as follows:

Indicator	Indicator	Unit	Data for 2024
Water	Water intake volume	ton	85,770.59
	including: Fresh water intake volume	ton	84,287.49
	including: Seawater desalination capacity	ton	1,483.1
	Water intake volume per unit revenue	ton/RMB10,000	0.4407
	Water consumption volume	ton	19,438.58
	Water consumption volume per unit revenue	ton/RMB10,000	0.0999

3 Robust Operations

LC Logistics has always positioned robust operations as a core priority, committed to building a safe, efficient, and sustainable logistics service system. We base our operations on maritime safety, adhere to the principle of service excellence, uphold information security and privacy protection as our bottom line, and support these with strong supplier management. We continuously optimize our operational processes, strengthen risk management, and enhance service quality.

⁶ The water consumption of LC Logistics includes vessel water and domestic water.



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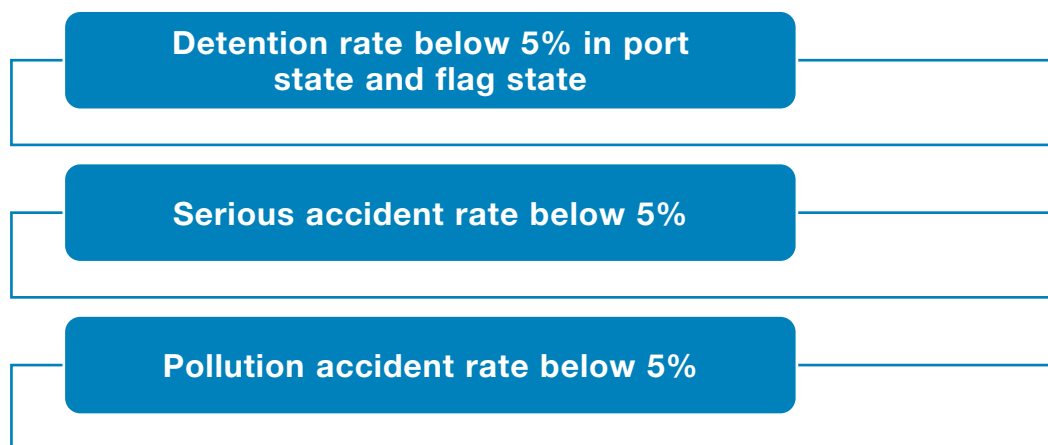
3.1 Maritime Safety

Maritime safety is a critical guarantee for the sustainable development of LC Logistics. We strictly comply with laws and regulations, refine our maritime safety management and risk management systems, and prioritize occupational health and safety for our employees. By providing reliable safeguards for our employees, customers, and the industry, we support the steady and robust operations of the Company.

3.1.1 Maritime Safety Management System

LC Logistics consistently adheres to international mandatory conventions and regulations, actively adopts international recommended rules and guidelines, and strictly complies with domestic and international laws and regulations as well as relevant safety management standards, including 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》. We continuously enhance our maritime safety management standards. LC Logistics has established a series of internal policies, 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》, to provide comprehensive guidance and standards for vessel operations.

To further strengthen our safety management system, we have set clear maritime safety objectives to effectively prevent and reduce the risk of accidents, ensuring the highest level of maritime safety while safeguarding the health and well-being of our employees.

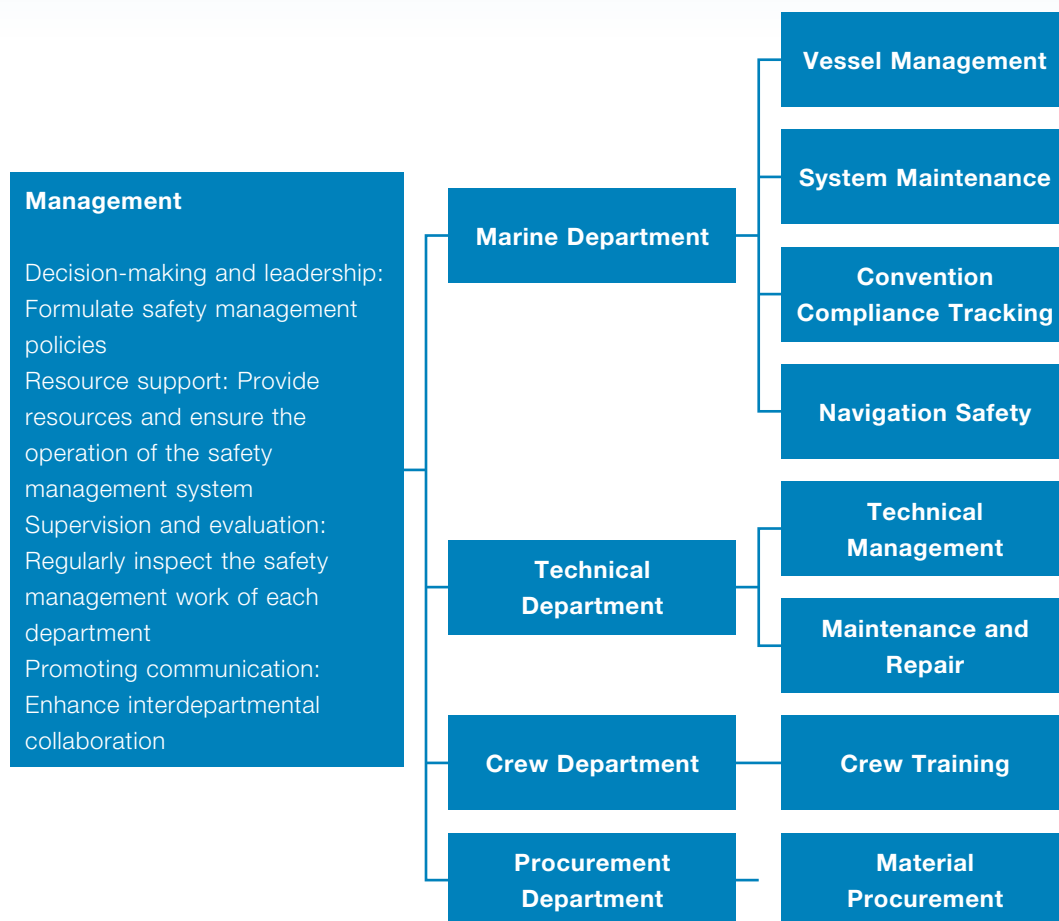


Maritime Safety Objectives of the Company

LC Logistics has established specialized departments, including the Marine Department, Technical Department, Crew Department, and Procurement Department, to comprehensively oversee all aspects of vessel management, ensuring safe, efficient, and compliant vessel operations. We have developed a robust safety management system and advanced management platforms, such as the VRC Ship Reporting System, DOCMAP Document Management System, Crew Management System, and Training System, to achieve standardized and systematic management. During the Reporting Period, LC Logistics updated its safety management system, including improvements to operational procedures, responsibility allocation, and process enhancements.



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3.1.2 Maritime Safety Risk Management

LC Logistics consistently places maritime safety risk management at its core, fully aware of the potential risks during shipping operations that could pose significant threats to vessels, personnel, and the environment. The Company has established comprehensive documents, including the Vessel Emergency Manual 《船舶應急手冊》, LC Logistics, Inc. Emergency Response Plan for Incidents 《山東樂艙網國際物流股份有限公司突發事件應急處置預案》, and LC Logistics, Inc. Safety Management System 《山東樂艙網國際物流股份有限公司安全管理制度》, to provide detailed guidance for emergency management of maritime incidents. During the Reporting Period, to standardize emergency response signals, we clearly defined emergency signals and updated the Vessel Emergency Manual 《船舶應急手冊》.

The Company systematically categorizes risks into two main types: internal risks and external risks. A series of targeted measures have been implemented to ensure effective risk control and management.



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Internal Risk Management

- **Risk assessment and process optimization**
 - Revise vessel certificate management procedures, optimize risk assessment processes, and improve crew shift handover requirements
 - Advance the digitalization of vessel certificate management and clarify maintenance responsibilities for fixed CO₂ systems
- **Vessel maintenance and inspection**
 - Establish a detailed maintenance system for each vessel and conduct regular inspections and repairs to ensure safe vessel operations
 - Strengthen the maintenance and inspection of fixed CO₂ systems, clearly define responsibilities, and ensure equipment remains in optimal condition

External Risk Management

- **Vessel emergency drill system**
 - Implement a comprehensive vessel emergency drill system, requiring vessels to conduct at least one fire drill, abandon ship drill, and oil spill drill monthly, and one emergency steering drill every three months
 - Organize an emergency drill within 24 hours of departure if crew changes exceed 25% of the total crew to ensure new crew members are familiar with emergency duties and procedures
 - Include the use of personal protective equipment, operation of communication devices, air content measurement, operation of rescue equipment, and first aid techniques, comprehensively enhancing the crew's emergency response capabilities
- **Ship-shore joint drills**
 - Organize ship-shore joint drills in accordance with system requirements, focusing on scenarios such as grounding/flooding, and notify relevant parties including the flag state, classification society, P&I club, and shipowners to ensure coordinated responses to emergencies
- **Emergency drills organized by the captain**
 - Organize regular emergency drills for the crew based on the *Muster List* (《應變部署表》) and the *Annual Vessel Drill Training Plan* (《船舶年度演習培訓計劃》)
 - Strictly follow relevant manuals and emergency response protocols for implementation steps and procedures

The Company has developed comprehensive prevention and emergency measures to address external risks, ensuring the safe operation of vessels in complex environments.



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Collision and Grounding

- The Company establishes detailed emergency response procedures to ensure rapid assessment of the situation and implementation of effective measures in the event of a collision or grounding, minimizing potential losses

Piracy and Violent Threats

- Assess risks such as piracy and terrorist attacks during voyage planning and implement corresponding preventive measures to ensure the safety of vessels and crew

Extreme Weather

- Develop and refine emergency plans for special risks such as night navigation, fog navigation, winter preparedness, and typhoon/flood prevention to ensure the safe operation of vessels under adverse weather conditions

External Risk Prevention Measures

3.1.3 Occupational Health and Safety

LC Logistics consistently regards the physical and mental well-being of its employees as the cornerstone of the Company's sustainable development, committed to providing a safe and healthy working environment for all staff. To this end, the Company has set an occupational health and safety goal of "having a repatriation rate of less than 1 per cent of our crew members for health reasons." In response to identified risks, we have implemented a series of preventive measures and continuously enhanced the safety management capabilities of both shore-based and onboard personnel.



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To Strengthen Vessel Supervision and Inspection Mechanisms

- Increase the frequency of marine superintendents' visits to vessels and implement a crew performance evaluation system to ensure a safe and compliant working environment for crew members through multi-level supervision

Enhance the Crew Training System

- Focus on improving the sense of responsibility and safety management capabilities of personnel at all levels, while strengthening the cultivation of crew members' professional ethics, technical skills, and emergency response abilities

Improve the Provision of Crew Protective Equipment

- Provide all crew members with necessary equipment that meets international standards, such as workwear, safety shoes, and protective gloves, to ensure operational safety

Enhance Emergency Response Capabilities

- Optimize the emergency response process for crew injuries and illnesses to ensure rapid and proper handling; strengthen accident investigation and analysis to prevent the recurrence of similar incidents

During the Reporting Period, LC Logistics did not experience any work-related fatalities.

Occupational health and safety data

Indicator	Unit	2022	2023	2024
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	181



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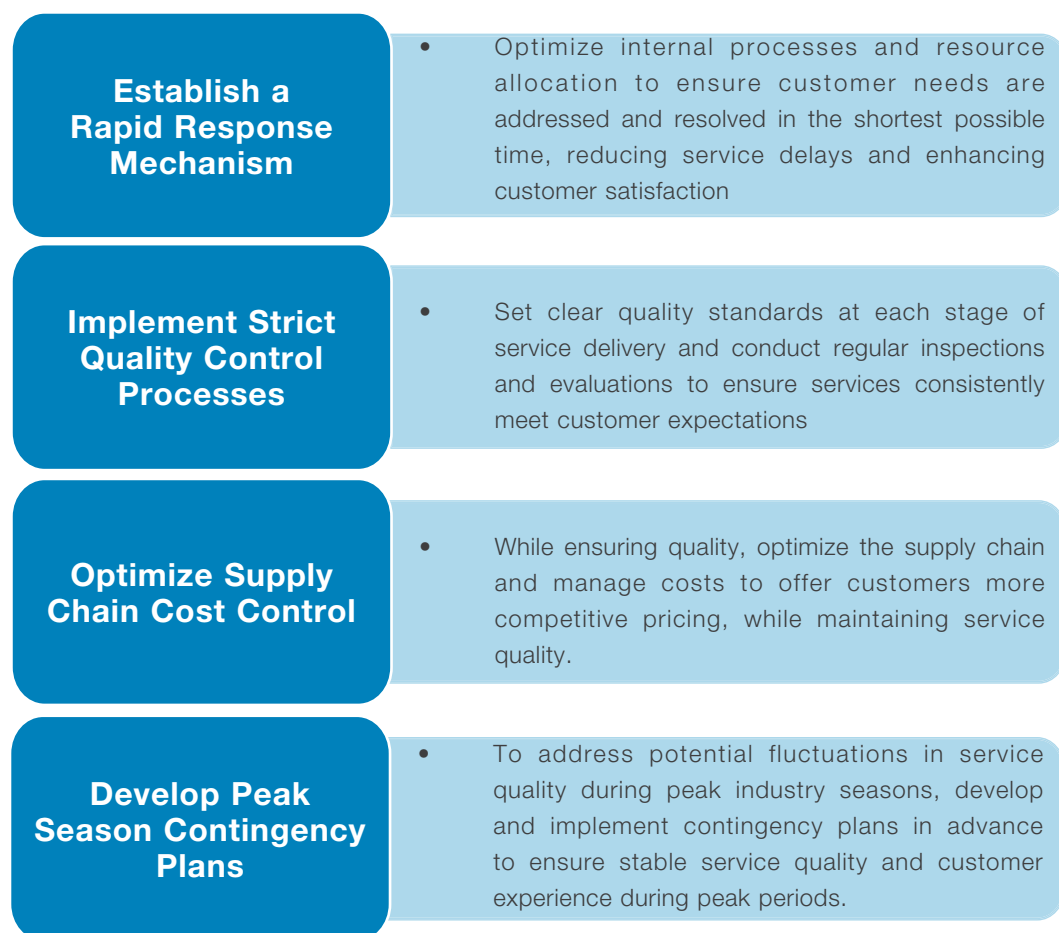
3.2 Service First

LC Logistics leverages years of industry expertise and resources to provide customers with efficient and reliable cross-border logistics solutions. We stay attuned to global trade trends, optimize the scope and quality of our services, and precisely meet customer needs. Through a robust customer service and complaint resolution mechanism, we continuously improve customer satisfaction, providing a solid foundation for the sustainable development of the Company.

3.2.1 Customer Service

We fully understand that customer satisfaction is the key to sustainable development. Therefore, we continuously optimize service processes, improve service quality, and ensure timely and effective responses to customer needs through scientific quality control and customer feedback mechanisms.

We are committed to providing customers with higher-quality and more efficient services. By implementing a series of service quality assurance measures, we consistently enhance customer satisfaction and strengthen their trust and reliance on us.



Service Quality Safeguard Measures



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To continuously optimize the key account management system, LC Logistics conducts monthly customer satisfaction surveys led by the operations manager. The survey results are compiled and presented in dedicated reports. In response to the feedback and suggestions provided by customers during the surveys, we have established a rapid response mechanism to ensure issues are promptly addressed, rectified, and communicated back to customers within a specified timeframe. In 2024, the customer satisfaction survey results of LC Logistics showed an overall satisfaction score of 9.8 out of 10.

Linking to Employee Performance	<ul style="list-style-type: none">We conduct monthly customer satisfaction surveys through the OA system and link the results to employee performance evaluations, ensuring that customer feedback directly informs service quality improvements
Targeted Improvement Measures	<ul style="list-style-type: none">Based on survey results, we develop targeted improvement measures, including optimizing service processes, enhancing employee service awareness, and strengthening customer relationship management, to ensure continuous improvement in customer satisfaction
Personalized Services	<ul style="list-style-type: none">We provide customized logistics solutions tailored to the specific needs of our customers, ensuring they receive services that best fit their business requirements
Optimizing Supply Chain Management	<ul style="list-style-type: none">By screening and optimizing suppliers, we eliminate unnecessary steps and costs, ensuring customers receive high-quality services at the most competitive rates
Launching Scarce Routes	<ul style="list-style-type: none">In response to customer demand for specific routes, we actively open scarce routes to address key challenges in their logistics and transportation needs

Measures to Enhance Customer Satisfaction



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Case Study: Optimizing logistics solutions

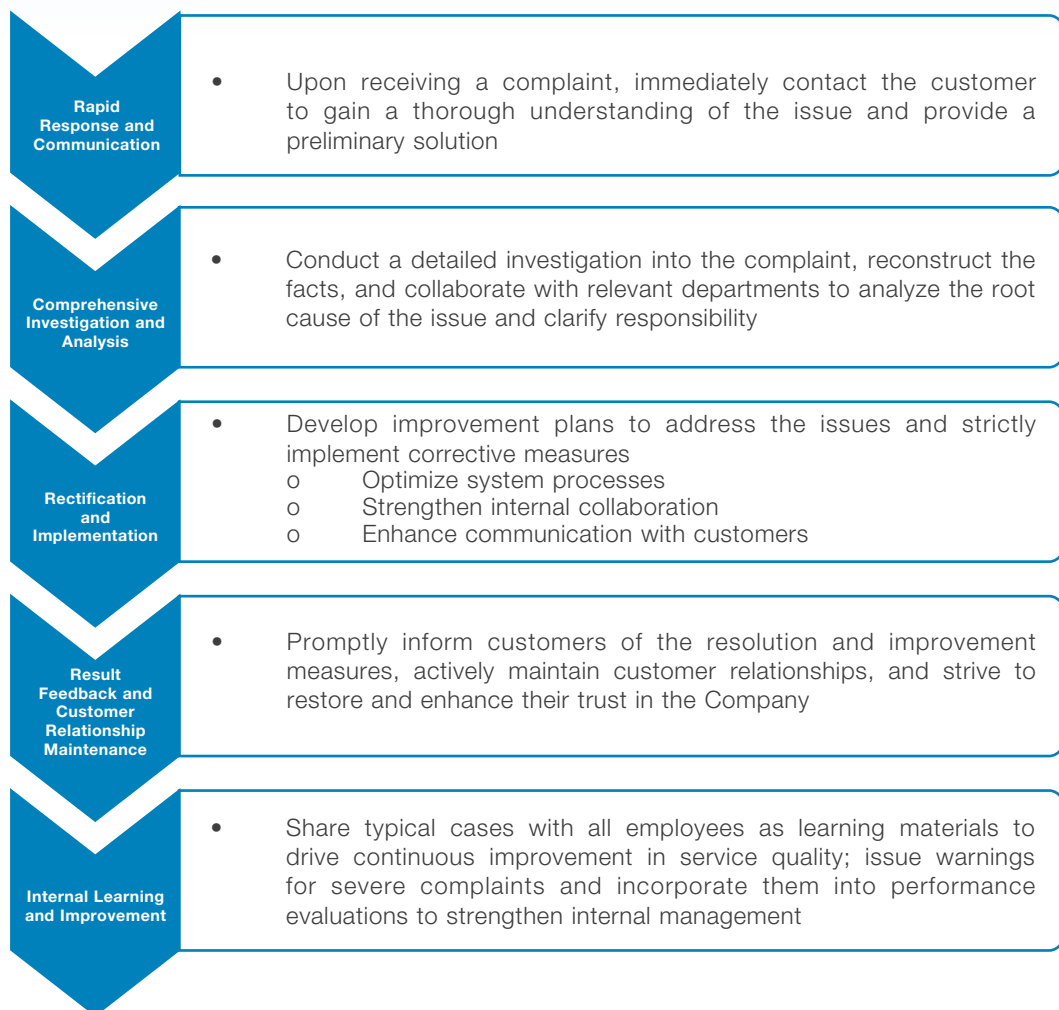
To meet a refrigerated dairy customer's strict requirements for transportation time and shipment volume, we optimized sailing schedules, integrated resources from multiple shipping companies, and designed flexible solutions to balance arrival time and cost. Through continuous improvements, the customer's order volume grew significantly, evolving from small initial orders to stable shipments, reflecting their trust and satisfaction with our services.

3.3.2 Customer Feedback Mechanism

LC Logistics always regards customer complaint management as a core aspect of service quality, committed to establishing an efficient and transparent complaint resolution mechanism to ensure that every customer feedback is addressed promptly and properly. We strictly adhere to internal regulations 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》, ensuring that the complaint handling process is standardized and well-defined, with clear responsibilities assigned to relevant departments to enhance overall service efficiency. We have established a multi-channel complaint acceptance mechanism, allowing customers to submit complaints through various means such as email, phone, online platforms, or direct contact with sales personnel, ensuring smooth and accessible communication channels.



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Complaint Handling Mechanism



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3.3 Information Security and Privacy Protection

With the advancement of digital transformation, information security and privacy protection have become core aspects of corporate operations. LC Logistics has established a comprehensive information security management system, safeguarding the data of both the Company and its customers through stringent management policies and technical measures. We have formulated internal regulations such 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》, continuously improving our information security protection framework. During the Reporting Period, to adapt to the evolving cybersecurity landscape and the Company's strategic needs, we updated the *Cybersecurity Management Department Organizational Chart* 《網絡安全管理部門組織架構表》 and appointed dedicated personnel to oversee network and information security-related tasks.

LC Logistics regards information security as the foundation of corporate development, combining technical safeguards with emergency drills to comprehensively strengthen our defenses.

Technical Protection Measures

- **Network security reinforcement:**
 - Upgrade firewall systems and configure stricter access control policies
 - Precisely divide network access permissions for different departments based on business needs and security levels
 - Monitor network traffic in real-time to promptly detect and block potential network intrusions
- **Data security enhancement:**
 - Encrypt core data, such as customer information, financial data, and trade secrets
 - Use advanced encryption standards (e.g., AES) during data storage and transmission to ensure data confidentiality
- **Data backup and recovery optimization:**
 - Establish a more robust data backup strategy, increasing backup frequency (multiple incremental backups daily and a full backup weekly)
 - Conduct regular backup recovery drills to ensure quick and complete data restoration in case of data loss or corruption

Emergency Drills

- Develop detailed emergency drill plans, covering objectives, scope, procedures, and expected outcomes
- Drill scenarios include network outages, data breaches, and malware outbreaks
- Formulate emergency response procedures and team responsibilities for different scenarios to ensure rapid and effective handling of information security incidents

Information Security Measures



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LC Logistics attaches great importance to user privacy protection. By refining privacy policies, optimizing data management, and enhancing technical security measures, we have built a comprehensive privacy protection system. During the Reporting Period, no negative incidents related to information security or privacy protection occurred. We have also maintained our Level 3 Certification in Information System Security, ensuring the continued effective operation of the Company's information security protection framework.

Comprehensive Review of Privacy Policies

- Conduct a thorough review and update of existing privacy policies to ensure compliance with the latest regulatory requirements
- Optimize the presentation of privacy policies to enhance transparency and communication with users

Data management Optimization

- Adhere to the principle of data minimization, collecting and retaining only the personal information necessary for business operations during process design and system development

Strengthening of Technical Security Measures

- Introduce privacy-enhancing technologies (e.g., differential privacy) to protect personal privacy during data analysis and statistics
- Enhance data security audits by regularly reviewing data access and processing activities, including operations by internal employees and third-party partners

Privacy Protection Measures



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3.4 Supplier Management

LC Logistics is committed to establishing a robust supplier management system to ensure that suppliers meet the Company's standards at every stage. We optimize supplier access policies, evaluation, and exit mechanisms to strengthen the stability and sustainability of the supply chain. Additionally, we emphasize suppliers' ESG performance to drive sustainable development across the entire supply chain.

In supplier management, we consistently adhere to strict screening and evaluation mechanisms to ensure that collaborations with suppliers continuously meet the Company's standards. We conduct comprehensive reviews of suppliers' qualifications, reputation, and service capabilities, ensuring partnerships are only established with qualified, high-quality suppliers. Priority is given to suppliers that fulfill environmental protection and social responsibility commitments.



Supplier Management Process

During the Reporting Period, the quantitative data of our suppliers are as follows:

Indicator	Unit	Data for 2024
Total number of suppliers	Nos	2,009
– Mainland China suppliers	Nos	1,676
– Non-Mainland China suppliers	Nos	333



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4 People-oriented

LC Logistics fully recognizes the value of talent and is committed to building a professional talent service team. We regard employee development and capability enhancement as the focus of our talent strategy, integrating employees' personal growth with the Company's long-term development by listening to their aspirations. We provide employees with competitive compensation and benefits packages and create a positive work atmosphere through a series of employee care activities, thereby ensuring the vitality of the Company's development.

4.1 Compliant Employment

LC Logistics strictly complies with the laws, regulations, and relevant administrative provisions of the regions where we operate, ensuring that our talent policies are conducted within the legal framework. We adhere to 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》, ensuring our employment practices conform to legal stipulations. Meanwhile, based on the actual circumstances in our business activities, we use the *LC Logistics Employee Handbook* 《樂艙物流員工手冊》 as a supplement to improve our employee-related employment conduct.

LC Logistics adheres to the baseline requirements for compliant employment practices. We strictly comply with the *Prohibition of the Use of Child Labor* 《禁止使用童工規定》, conducting checks on new employees' personal information to eradicate any form of child labor at its source. Furthermore, we clearly stipulate the working hours and overtime limits for employees in our employee handbook to prevent instances of forced labor. During the Reporting Period, LC Logistics has not experienced any incidents of employing child labor or forced labor.

LC Logistics has established clear regulations for the entire recruitment process. At the beginning of each year, we formulate a strategic talent recruitment plan, outlining staffing requirements based on the overall annual budget target, and implement it under the assessment of the relevant human resources departments. We attract talents who aspire to join the Company through two main forms: campus recruitment and social recruitment, providing equal opportunities for talents with diverse professional backgrounds and work experiences. We resolutely prohibit any form of discrimination during the specific recruitment process to safeguard the legitimate rights and interests of job candidates. Among managers at level 10 and above in the Company, female employees account for 33%.



Environmental, Social and Governance Report 2024

During the Reporting Period, the employee hiring situation at LC Logistics is shown in the following table:

Indicator	Unit	Data for 2024
Total number of employees by employment type		
Full-time employee	person	337
Part-time employee	person	12
Outsourced personnel	person	0
Number of full-time employees by gender		
Male	person	150
Female	person	187
Number of full-time employees by age group		
Below 30	person	87
30-50	person	208
Above 50	person	42
Number of full-time employees by geographical region		
Mainland China	person	329
Hong Kong, Macau and Taiwan	person	5
Overseas	person	3
Number of full-time employees by rank		
Senior management (Levels 13 to 15)	person	9
Middle management (Levels 9 to 12)	person	56
General staff (Below level 9)	person	272
Number of women in management		
Female employees in senior management	person	2
Female employees in middle management	person	22

During the Reporting Period, the turnover of regular employee at LC Logistics is as follows:

Indicator	Unit	Data for 2024
Total employee turnover rate		
Total turnover rate	%	25.22
Employee turnover rate by gender		
Male	%	19.35
Female	%	20.76
Employee turnover rate by geographical region		
Mainland China	%	19.95
Hong Kong, Macau and Taiwan	%	0.00
Overseas	%	50.00
Employee turnover rate by age group		
Below 30	%	28.10
30-50	%	18.43
Above 50	%	8.70



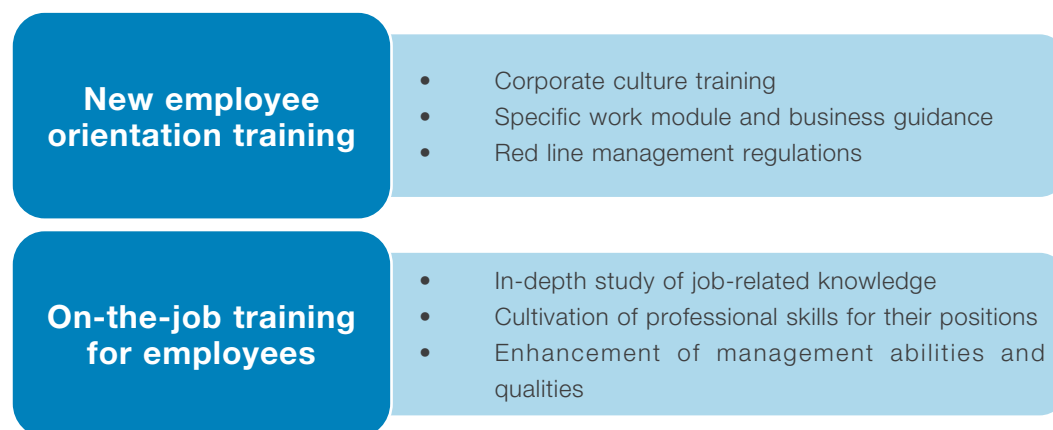
Environmental, Social and Governance Report 2024

4.2 Development and Training of Employees

LC Logistics places great emphasis on the development of its talent system. We have introduced a series of measures to optimize the talent cultivation models, enhancing employees' abilities to solve practical problems through theoretical training and the improvement of their competencies. At the same time, we have established clear career advancement pathways for talents, fostering a culture of striving for excellence across the Company and laying a solid foundation for its long-term development.

4.2.1 Training of Employees

To better facilitate employee growth and career progression, LC Logistics develops customized L&D initiatives tailored to role-specific competencies. We have clearly stipulated the training policies in the *LC Logistics Employee Handbook* 《樂艙物流員工手冊》 to ensure that the implementation of training is well-founded. Based on the specific circumstances of the trainees, our training can be divided into two main categories: new employee orientation training and in-service employee training.

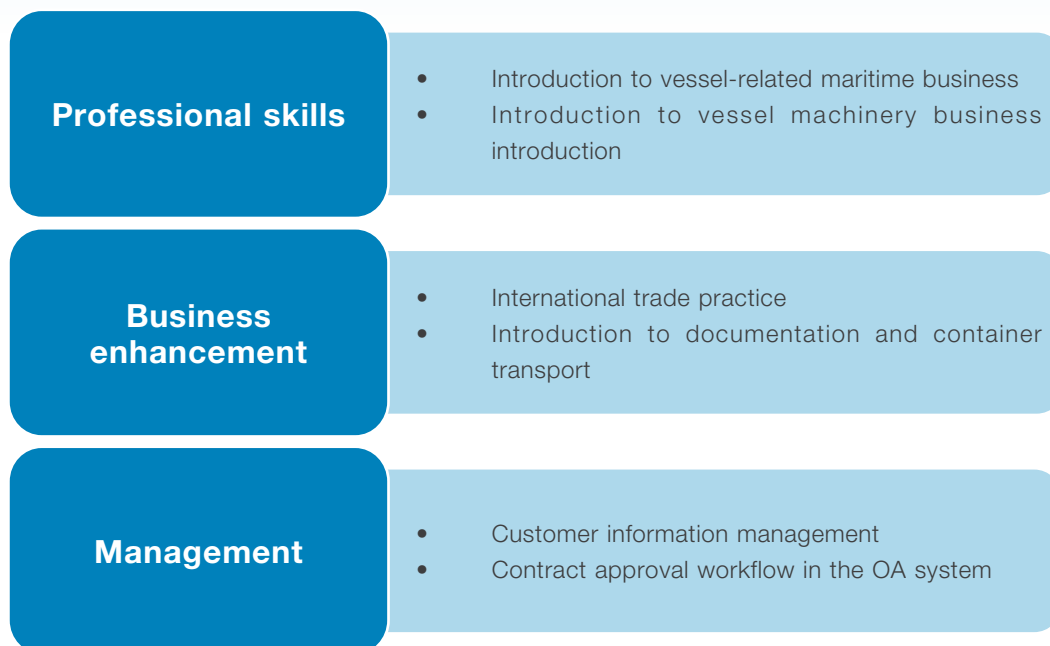


Classification of Employee Training at LC Logistics

LC Logistics attaches great importance to the close connection between training and practical problem-solving, as well as to employees' practical abilities. This year, our training has continued to deepen in three major areas: professional skills, business improvement, and management. Relying on a comprehensive training management system, employees' professional knowledge and problem-solving abilities have been significantly enhanced, and resource sharing capabilities have been improved across the entire company.



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Classification of LC Logistics Training System

This year, we regularly conducted 13 business-related training sessions, addressing specific issues encountered in our operational activities, which effectively enhanced employees' management skills and leadership abilities through real case integration. Additionally, we actively broadened employees' horizons by inviting external trainers to conduct courses, thereby contributing to the supplementation of the Company's talent development strategy.



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LC Logistics Conducted Training on Container Information and Technology

In 2024, LC Logistics conducted a training session on container information and technology. This training was hosted by the Senior Supervisor of the Container Management Department and was conducted through a combination of online and offline methods to enhance the business capabilities of all employees of the Company. Through this training, employees of the Company gained a better understanding and mastery of the relevant concepts of container information management and developed a deeper understanding of frontline business models. This laid a solid foundation for optimizing business processes and facilitating collaborative work.



LC Logistics Conducted Training on Container Information and Technology

LC Logistics Conducted Business English Skills Training

In 2024, LC Logistics conducted skills training related to business English. We collaborated with an external company experienced in extensive skills training to provide explanations and practice based on actual scenarios in business operations, thereby enhancing all employees' international perspectives and communication skills.



LC Logistics Conducted Business English Skills Training



Environmental, Social and Governance Report 2024

During the Reporting Period, our employees received an average of 25.1 hours of training. The detailed data on employee training for the Company is presented in the following table:

Indicator	Unit	Data for 2024
Number of trained employees classified by gender and employee type		
Number of full-time employees trained by gender		
Male	person	81
Female	person	87
Number of full-time employees trained by employee type		
Senior management	person	6
Middle management	person	28
General staff	person	134
Classified by gender and employee category, the average number of hours completed per employee for training		
Total training hours completed by full-time employees by gender		
Male	hour(s)	2,070
Female	hour(s)	2,148
Total training hours completed by full-time employees by employee type		
Senior management	hour(s)	156
Middle management	hour(s)	692
General staff	hour(s)	3,370

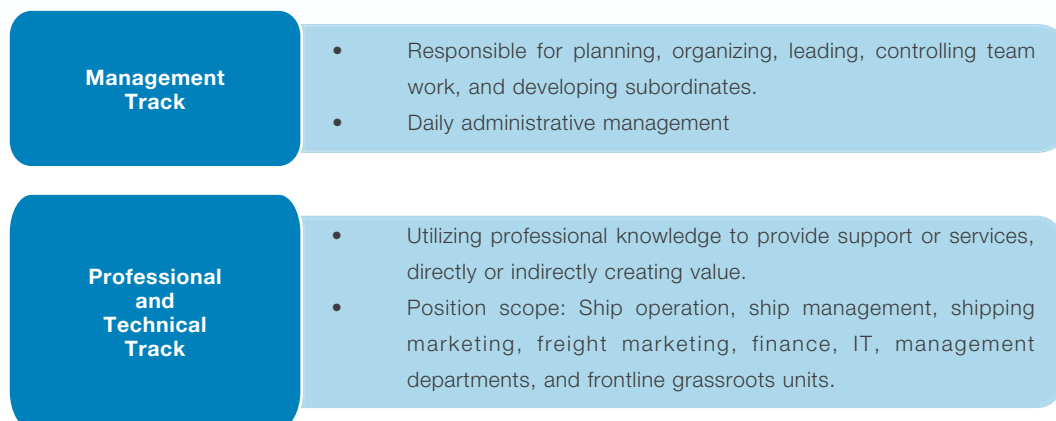
4.2.2 Development of Employees

LC Logistics continues to improve its employee development mechanisms and promotion channels. By accumulating experience through long-term employee training, we identify critical milestones in employee development, overcome obstacles to their growth, and achieve dual enhancements in both personal skill development and company business development. We have established internal systems such as the *Performance Appraisal Management System* (《績效考核管理制度》), *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 *Employee Promotion, Transfer, and Salary Adjustment System* (《員工晉升、調動及薪酬調整制度》) to clarify the relevant promotion channels and assessment indicators for employees.

LC Logistics fully mobilizes employee enthusiasm and is committed to providing a broad platform and growth space for employees to achieve personal development. We offer a dual-track development strategy for employees with different attributes. Depending on their skills and professional strengths or business advantages, employees can choose to advance within the management track or the professional and technical track, thereby continuously achieving personal growth and development.

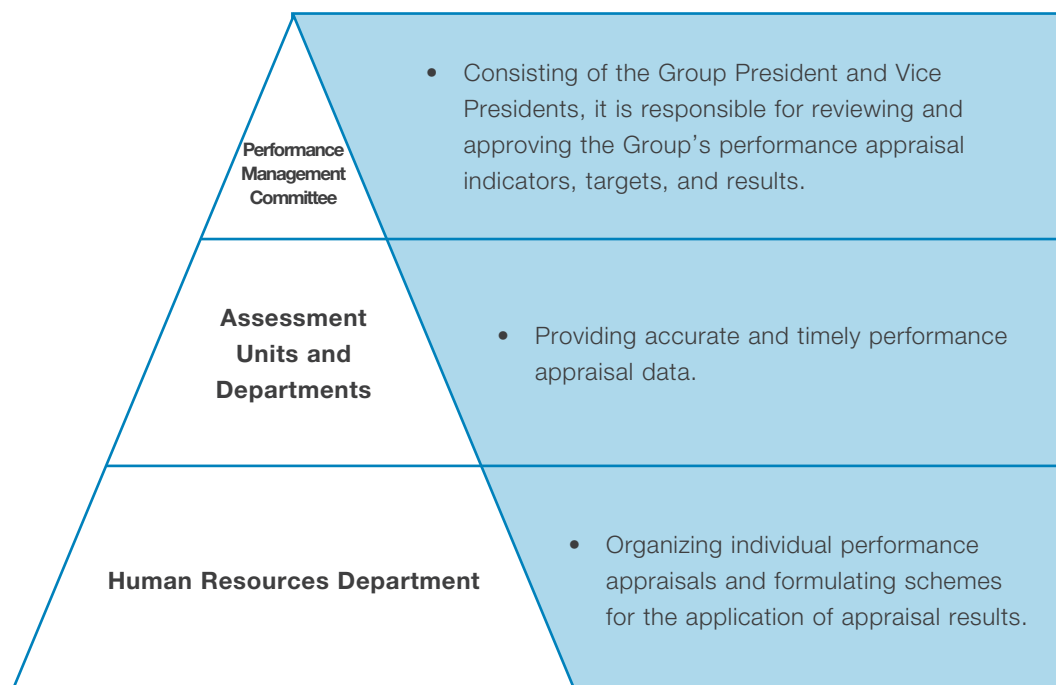


Environmental, Social and Governance Report 2024



LC Logistics offers a dual-track development path for its employees

LC Logistics has established a comprehensive employee evaluation system, conducting quantitative assessments of employees who demonstrate positive performance to ensure impartial performance appraisals and clear criteria during the process. Through this evaluation, we precisely identify high-potential employees, optimize human resource allocation, and simultaneously provide employees with personalized development paths, fostering personal and corporate growth together.



LC Logistics Performance Appraisal Management System



Environmental, Social and Governance Report 2024

After conducting scientific and meticulous investigations, as well as rigorous audits and evaluations, LC Logistics has meticulously planned the personnel ratio for performance appraisal, aiming to complement a fair and efficient performance management system. By establishing this appraisal ratio, we have significantly enhanced employees' work enthusiasm and helped them recognize their current gaps and deficiencies. Furthermore, this ratio aids us in optimizing human resource allocation and more targeted talent selection, cultivation, and motivation, thereby promoting the long-term development of the Company.

LC Logistics has flexibly introduced different assessment indicator systems tailored to the specific positions of employees, making our assessment methods more scientific and effective. Through differentiated evaluations, we have effectively stimulated employees' enthusiasm and creativity, promoted communication and collaboration among employee teams, enhanced team cohesion and centripetal force, and provided a strong guarantee for the sustainable and healthy development of the Company.

Salesperson

- LC Logistics implements a monthly commission scheme, which calculates profits and collection rates based on the achievement of sales targets, thereby creating a positive and efficient sales environment for the Company and motivating employees to more actively participate in sales activities, achieving a virtuous cycle.

Operator

- LC Logistics implements a monthly assessment system, encouraging a pay-for-performance approach for operations, and driving employees to continuously strive towards the Company's goals through timely feedback and rewards.

Performance Evaluation Model

LC Logistics regularly conducts performance evaluations of its employees, with a comprehensive annual assessment, in addition to monthly evaluations, to gauge their overall performance over a longer period. Employees are required to fill out annual self-evaluation reports and submit them to the leadership. The leadership evaluates these reports to help employees identify strengths and areas for improvement. Based on the results of the annual assessment, we reward and recognize outstanding employees, thereby motivating them to greater levels of work engagement and maintaining a dynamic and motivated workforce.



Environmental, Social and Governance Report 2024

4.3 Salary and Benefits

LC Logistics has established a comprehensive compensation and benefits system to ensure that our employees receive well-deserved recognition and rewards for their contributions. Additionally, we provide employees with supplementary benefits, allowing them to feel the Company's care for them, thereby strengthening the cohesion of the workforce and promoting the realization of the Company's long-term development vision.

4.3.1 Employee Remuneration

LC Logistics is committed to providing its employees with compensation that is externally competitive and internally equitable. We have formulated the *Remuneration and Benefits Management System* 《薪酬福利管理制度》 and the *Employee Promotion, Transfer, Salary Adjustment, Salary Calculation, and Payment System* 《員工晉升、調動及薪酬調整、薪酬計算及發放制度》 to ensure rigorous management of salary payments. We adopt a comprehensive salary system, which consists of a base salary, performance-related salary, commissions, and various subsidies.

LC Logistics has established a structured remuneration management system, offering employees remuneration aligned with job responsibilities. This system mainly consists of two parts: job evaluation and remuneration range, comprehensively assessing employees' overall performance in their positions to ensure that each employee's efforts are proportional to their rewards.

Conduct job evaluation

- Taking into account factors such as performance, influence, decision-making power, problem-solving difficulty, work complexity, and qualification requirements, LC Logistics determines the relative value of each position within the Company.

Establish remuneration ranges

- Based on market remuneration standards and internal management requirements, employees at the same job level enjoy the same salary range.
- Due to differences in skills, responsibilities, performance, and seniority, employees occupy different positions within the salary range.
- LC Logistics adjusts the remuneration range in a timely manner to ensure effective management and maintain market competitiveness.

LC Logistics' Remuneration Management System



Environmental, Social and Governance Report 2024

LC Logistics continuously optimizes its remuneration management system, striving to ensure that compensation not only provides essential living security but also maximizes its incentive effect. We have established the *Subsidy Standards and Distribution System* (《補貼標準及發放制度》) to provide employees with a diversified compensation package. Currently, our subsidies cover transportation allowances, communication allowances, and lunch subsidies. Depending on the employee's job level, our subsidy standards change accordingly, thereby motivating employees to work with enthusiasm and enhancing the incentive effect of salary subsidies. Our subsidies are reviewed by the Human Resources Department and distributed along with salaries.

4.3.2 Employee Benefits

LC Logistics incorporates employee benefits into the *Employee Welfare Management System* (《員工福利管理制度》) to ensure their implementation. The various benefits we provide enhance employees' sense of belonging and loyalty, making them feel cared for and respected by the Company. For employees who have been with the Company for three years or more, we offer additional work tenure subsidies, encouraging them to actively contribute to the Company's long-term development.

Social insurance and housing fund <ul style="list-style-type: none">The Company shall complete the addition, deletion, and adjustment of social insurance and housing fund contributors, as well as make timely payments, by the 15th of each month.	Health check-up <ul style="list-style-type: none">Each year, the Company organizes health check-ups for employees.
Employee benefits for festivals <ul style="list-style-type: none">LC Logistics provides employees with welfare benefits for festivals such as Women's Day, Spring Festival, Dragon Boat Festival, Mid-Autumn Festival, etc	Occasional welfare benefits <ul style="list-style-type: none">LC Logistics organizes activities such as annual meetings, outdoor team-building events, birthday celebrations, and tours.

LC Logistics Provides Comprehensive Employee Benefits



Environmental, Social and Governance Report 2024

4.4 Caring for Employees

LC Logistics adopts multiple initiatives to demonstrate its care for employees. We consistently regard enhancing employees' job satisfaction as an integral part of creating a harmonious and efficient work environment. We have established a series of care activities to listen to employees' voices, ensuring the development of the Company while enhancing internal cohesion.

4.4.1 Concern for Employees

LC Logistics constantly cares for the physical and mental well-being and life circumstances of its employees, organizing various care activities for them to express the Company's recognition and support for its staff. We conduct employee care activities on important occasions such as employees' birthdays and major festivals, enhancing employees' feeling of belonging within the Company, thereby fostering a cohesive work team and a harmonious corporate culture.

LC Logistics Held a Christmas Afternoon Tea and Birthday Celebration Care Event

In 2024, LC Logistics organized a Christmas afternoon tea and birthday celebration employee care event, providing delicious refreshments and beverages for employees to enjoy a delightful Christmas afternoon. Through this event, employees truly felt our profound care and blessings, further enhancing the cohesion of the workforce and thereby promoting the creation of a harmonious work atmosphere.



Christmas Afternoon Tea and Birthday Celebration Care Event



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LC Logistics Conducted a Gift Distribution Activity for Women's Day

In 2024, LC Logistics conducted a Women's Day gift-giving event. We thoughtfully prepared gifts for our female employees, conveying our blessings to them on this special occasion and expressing gratitude for their tireless efforts and contributions.



LC Logistics Conducted a Gift Distribution Activity for Women's Day

4.4.2 Employee Communication

LC Logistics has always respected and cared for its employees, actively engaging in communication with them, continuously inspiring their work enthusiasm, and addressing their needs through a positive and transparent communication atmosphere, as well as an open, fair, and systematic communication mechanism. Through open communication channels, we enhance trust and cooperation between employees and the group, laying a solid foundation for the Company's continuous innovation and efficient operation.

LC Logistics has established specialized communication channels for employees to submit their opinions and suggestions. For any employee demands received, we will promptly verify and provide feedback to enhance employee satisfaction.

To address potential training needs of employees, we distributed a questionnaire through the OA system to all employees, comprehensively analyzing the topics of interest to determine the training plan, thereby achieving two-way communication and interaction between us and our employees, and further enhancing employee satisfaction.



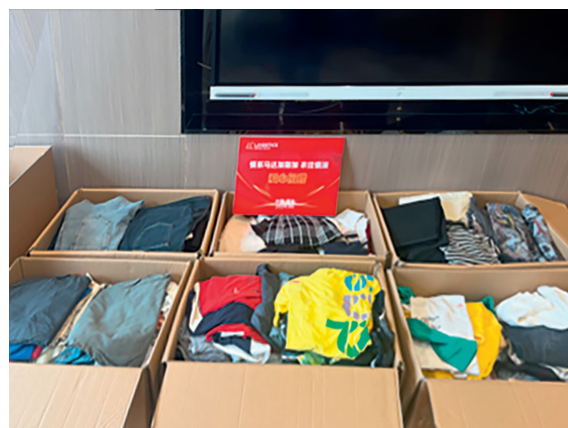
Environmental, Social and Governance Report 2024

5 Community and Charity

LC Logistics recognizes the interdependence between corporate growth and social prosperity. While striving for stable economic growth, we regard social responsibility as a core corporate value. This year, we contributed to the key areas such as community development and the promotion of Chinese culture through charitable donations and cultural exchange initiatives. During the Reporting Period, our total charitable donations amounted to RMB84,000.

“Clothing with Love” Charity Donation

During the Reporting Period, we organized the “Clothing with Love” charity initiative, donating clothing to underprivileged communities in Madagascar. This effort reflects our commitment to fulfilling social responsibilities, spreading love and positive energy, and promoting social equity.



“Clothing with Love” Charity Donation

Donation to the Confucius Institute in Toamasina, Madagascar

During the Reporting Period, LC Logistics donated a statue of Confucius to the Confucius Institute in Toamasina, Madagascar, supporting local cultural and educational initiatives. This contribution fosters deeper cultural understanding and exchange between China and Africa and enhances the Company’s social influence and cultural presence.



The Statue of Confucius Donated to the Confucius Institute in Toamasina, Madagascar



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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.	Green Development – Addressing Climate Change Green Development – Environmental Management and Emission Control
	KPI A1.1	The types of emissions and respective emissions data.	Green 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).	Green 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).	Green 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).	Green Development – Environmental Management and Emission Control
	KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Green 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.	Green Development – Environmental Management and Emission Control



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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.	Green Development – Addressing Climate Change Green 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).	Green Development – Green Shipping
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Green Development – Environmental Management and Emission Control
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Green 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.	Green Development – Resource Utilization
	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.



Environmental, Social and Governance Report 2024

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.	Green Development – Resource Utilization
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Green Development – Resource Utilization
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.	Green 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.	Green 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.	People-oriented – Salary and Benefits
	KPI B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	People-oriented – Compliant Employment
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	People-oriented – Compliant Employment



Environmental, Social and Governance Report 2024

Subject Areas, General Disclosures and Key Performance Indicators (KPI) of ESG			Section
B2: Health and Safety	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 providing a safe working environment and protecting employees from occupational hazards.	Robust Operations – Maritime Safety
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Robust Operations – Maritime Safety
	KPI B2.2	Lost days due to work injury.	Robust Operations – Maritime Safety
	KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Robust Operations – Maritime Safety
B3: Development and Training	General Disclosure	Policies on improving employees ' knowledge and skills for discharging duties at work. Description of training activities.	People-oriented – Development and Training of Employees
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	People-oriented – Development and Training of Employees
	KPI B3.2	The average training hours completed per employee by gender and employee category.	People-oriented – Development and Training of Employees



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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.	People-oriented – Compliant Employment
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	People-oriented – Compliant Employment
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Corporate Governance – Business Ethics
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Robust Operations – Supplier Management
	KPI B5.1	Number of suppliers by geographical region.	Robust Operations – Supplier 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 – Supplier 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 – Supplier 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 – Supplier Management



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Subject Areas, General Disclosures and Key Performance Indicators (KPI) of ESG			Section
B6: Product Responsibility	General Disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.</p>	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—Risk Management
	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



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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



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List of Laws and Regulations

The laws and regulations mentioned in this report (in the order of appearance) are as follows:

Environmental, Social and Governance Reporting Code (Appendix C2 to the Listing Rules of the Hong Kong Stock Exchange)

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

Corporate Governance Code (Appendix C1 to the Listing Rules of the Hong Kong Stock Exchange)

Anti-Money Laundering Law of the People's Republic of China

Anti-Unfair Competition Law of the People's Republic of China

Shandong Lcang International Logistics Inc. Corp. Ltd. Anti-Bribery Management System

Shandong Lcang International Logistics Inc. Corp. Ltd. Anti-Corruption Management System

Shandong Lcang International Logistics Inc. Corp. Ltd. Reporting System for Interest Conflict

Shandong Lcang International Logistics Inc. Corp. Ltd. Employee Code of Ethics

Shandong Lcang International Logistics Inc. Corp. Ltd. Whistleblowing Policy

Shandong Lcang International Logistics Inc. Corp. Ltd. Collection, Handling and Feedback System for Employee Opinions

Safety Management System of Shandong LC Logistics International Co., Ltd.

Emergency Response Plan of Shandong LC Logistics International Co., Ltd.

Risk Management System of Shandong Lcang International Logistics Inc. Corp. Ltd.

Shandong Lcang International Logistics Inc. Corp. Ltd. Environmental, Social, and Governance (ESG) System

Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution

Implementation Plan for Emission Control Areas for Atmospheric Pollutants from Vessels

International Convention for the Prevention of Pollution from Ships (MARPOL)



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Law of the People's Republic of China on the Prevention and Control of Water Pollution

Marine Environmental Protection Law of the People's Republic of China

Regulation on the Prevention and Control of Pollution from Ships to the Marine Environment

Standards for the Discharge of Ship Pollutants

Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste

Water Law of the People's Republic of China

Circular Economy Promotion Law of the People's Republic of China

Labor Law of the People's Republic of China

Labor Contract Law of the People's Republic of China

Provisions on the Prohibition of Using Child Labor

Employee Handbook of LC Logistics

Emergency Response and Reporting Policy for Cybersecurity Incidents of LC Group

Data Security Management Policy of LC Group

Cybersecurity Management Department Organizational Structure Chart

LC Logistics Position and Rank Management Policy

Employee Promotion, Transfer and Compensation Adjustment Policy

Remuneration and Benefits Management Policy

Subsidy Standards and Distribution Policy

Performance Appraisal Management Policy



Directors' Report

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 2024.

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 2024 by its principal activities is set out in note 4 to the consolidated financial statements of the Group on page 168 in this annual report.

Results

The results of the Group for the year ended 31 December 2024 are set out in the consolidated statements of profit or loss and other comprehensive income of the Group on pages 128 to 129 of this annual report.

Dividends

The Board approved the declaration and payment of a special dividend of RMB0.15 per ordinary share to shareholders, totalling approximately RMB43,000,000 in aggregate (the **"Special Dividend"**) on 8 November 2024. The Special Dividend was declared in Renminbi and paid in Hong Kong dollars. Based on the exchange rate of HK\$1: RMB0.9217, being the central parity rate of Renminbi to Hong Kong dollars as published by the People's Bank of China on 7 November 2024, the amount of the Special Dividend payable per Share was equivalent to approximately HK\$0.1627.

Subsequent to the end of reporting period, a final dividend in respect of the year ended 31 December 2024 of HK\$0.44 (2023: nil) per ordinary share, in an aggregate amount of HK\$125,958,428.64 (2023: Nil), has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming AGM.

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.



Directors' Report

Business Review

General

A review of the business of the Group during the year ended 31 December 2024, 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 7 to page 17 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 2024 are set out in note 37 to the consolidated financial statements on page 218 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 36 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 2024 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.



Directors' Report

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 2024, revenue attributable to the Group's largest customer amounted to approximately 5.8% of the Group's total revenue and the Group's five largest customers in aggregate accounted for approximately 17.0% of the Group's revenue for the year.

During the year ended 31 December 2024, purchases attributable to the Group's largest supplier amounted to approximately 6.1% of the Group's total purchases and the Group's five largest suppliers in aggregate accounted for approximately 24.1% 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 (excluding treasury 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 2024 and the state of the Group's financial position as at that date are set out in the consolidated financial statements on pages 128 to 131 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 2024 are set out on pages 132 to 133 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 2024 was RMB1,288.5 million.

Subsidiaries

Particulars of the Company's subsidiaries as at 31 December 2024 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 2024 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 2024 are set out in note 27 to the consolidated financial statements.

Borrowings

Details of the Group's borrowings during the year ended 31 December 2024 are set out in note 25 to the consolidated financial statements.



Directors' Report

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 2024, 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 (excluding treasury shares) 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 (excluding treasury shares) 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



Directors' Report

- (iii) the number of those Shares which were the subject of options which had been granted and accepted under the Post-IPO Share Scheme or 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 (excluding treasury shares) ("**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 or 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.



Directors' Report

(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 or 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 (excluding treasury shares) 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.



Directors' Report

(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.



Directors' Report

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 of the Post-IPO Share Scheme is approximately 8 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 1 January 2024 and 31 December 2024, 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 2024.

Donations

Donations made by the Group during the year ended 31 December 2024 amounted to RMB84,000. (2023: RMB95,700)

Directors

The Directors during the year ended 31 December 2024 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, Mr. Xu Xin, Dr. Gu Lin and Mr. Qi Yinliang shall retire from office by rotation at the AGM and, being eligible, offer themselves for re-election.



Directors' Report

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 18 to 26 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 AGM 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

Save as disclosed in this report, 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 2024.

Directors' Interests in Competing Business

During the year ended 31 December 2024, 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 2024 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 2024 are set out in note 8 to the consolidated financial statements.



Directors' Report

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

As at 31 December 2024, 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 2024, 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 2024, 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 2024.



Directors' Report

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 2024, 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 2024, 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.



Directors' Report

- (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 2024, 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

On 2 September 2024, Bal Container Line Co., Limited, a subsidiary of the Company, entered into two heads of agreements (the “**Heads of Agreements**”) with Lecang Fantasy Limited, pursuant to which, Lecang Fantasy Limited shall novate all rights and obligations under two shipbuilding agreements (the “**Shipbuilding Agreements**”) entered into with China Shipbuilding Trading Co., Ltd. and Jiangnan Shipyard (Group) Co., Ltd. to Bal Container Line Co., Limited while Bal Container Line Co., Limited shall pay to Lecang Fantasy Limited a consideration in the aggregate amount of US\$57.92 million, equivalent to the first instalment already been paid by Lecang Fantasy Limited to China Shipbuilding Trading Co., Ltd. and Jiangnan Shipyard (Group) Co., Ltd. pursuant to the terms of the Shipbuilding Agreements.



Directors' Report

In light of the Heads of Agreements, on the same date, Bal Container Line Co., Limited, Lecang Fantasy Limited, China Shipbuilding Trading Co., Ltd. and Jiangnan Shipyard (Group) Co., Ltd. entered into the novation agreements (the “**Novation Agreements**”), pursuant to which, Lecang Fantasy Limited shall be substituted in place of Bal Container Line Co., Limited as the purchaser under the Shipbuilding Agreements and Bal Container Line Co., Limited shall take over and assume all the rights and obligations of Lecang Fantasy Limited under the Shipbuilding Agreements for the purchase of two large container vessels.

Lecang Fantasy Limited being a company indirectly wholly owned by Mr. Xu Xin, an executive Director, is a connected person of the Company under the Listing Rules. The transactions contemplated under the Heads of Agreements and the Novation Agreements also constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. Further details of the transaction were disclosed in the announcements of the Company dated 2 September 2024, and the circular of the Company dated 23 September 2024. Save as disclosed above, during the year ended 31 December 2024, 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 33 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 2024.

Purchase, Sale or Redemption of Listed Securities of the Company

The Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company (including sale of treasury shares) during the Year.



Directors' Report

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 2024 and remained in force as of the date of this report.

The Company has taken out insurance against the liability and 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 five financial years is set out in the section headed "Financial summary" on pages 221 to 222 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 AGM will be held on Friday, 16 May 2025. 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 AGM, the register of members will be closed as appropriate as set out below:



Directors' Report

For determining the entitlement to attend and vote at the AGM

The register of members will be closed from Tuesday, 13 May 2025 to Friday, 16 May 2025, 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 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, 12 May 2025.

For determining the entitlement to the proposed final dividend

Subject to the passing of the relevant resolution at the AGM, which is proposed to be held on Friday, 16 May 2025, the register of members of the Company will be closed from Thursday, 22 May 2025 to Monday, 26 May 2025 (both days inclusive), for the purpose of determining shareholders' entitlements to the final dividend. In order to qualify for the final dividend, all transfer documents, accompanied by relevant share certificates, must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 21 May 2025.

Auditor

The consolidated financial statements of the Group for the year ended 31 December 2024 have been audited by Ernst and Young who will retire at the 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 AGM.

There is no change of auditor since the Listing Date.

By order of the Board

Xu Xin

Chairman

Hong Kong, 20 March 2025



Independent Auditor's 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 128 to 220, which comprise the consolidated statement of financial position as at 31 December 2024, 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 2024, 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 ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants ("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") that are relevant to audits of the financial statements of public interest entities, 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.



Independent Auditor's Report

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment	
<p>As at 31 December 2024, the Group had goodwill of RMB8,572,000 in relation to the Group's acquisition of Shanghai Sijin Int'l Transport Co., Ltd.</p> <p>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 forecast, the annual revenue growth rate and the discount rate.</p> <p>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.</p> <p>The significant accounting estimates and disclosures about the goodwill impairment assessment are included in notes 3 and 15 to the consolidated financial statements, respectively.</p>	<p>Our audit procedures included, among others, involving our internal valuation specialists to assist us in evaluating the methodology and discount rate used by the Company for determining the recoverable amount.</p> <p>We examined the underlying data used, such as management's projection on the future revenues and operating result by investigating whether the forecasts were consistent with the financial performance of the CGU during 2024; 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.</p> <p>We also assessed the adequacy of the Group's disclosures of goodwill impairment in the financial statements.</p>



Independent Auditor's Report

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Provision for expected credit losses on trade receivables</i>	
<p>As at 31 December 2024, the Group had trade receivables of RMB107,605,000, after making a loss allowance of RMB29,377,000.</p> <p>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 trade receivables, existing market conditions as well as forward-looking estimates at the end of each reporting period.</p> <p>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.</p> <p>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.</p>	<p>Our audit procedures to assess the provision for expected credit losses on trade receivables included the following:</p> <ul style="list-style-type: none"> (i) Obtaining an understanding of 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. <p>We also assessed the adequacy of the Group's disclosures of trade receivables in the consolidated financial statements.</p>



Independent Auditor's Report

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.



Independent Auditor's Report

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 HKSA's 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 HKSA's, 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.



Independent Auditor's Report

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

20 March 2025



Consolidated Statements of Profit or Loss

	Notes	2024 RMB'000	2023 RMB'000
REVENUE	5	1,946,393	1,238,471
Cost of sales		(1,736,303)	(1,011,853)
Gross profit		210,090	226,618
Other income and gains	5	369,826	5,710
Selling and distribution expenses		(22,941)	(17,366)
Administrative expenses		(98,223)	(83,083)
Other expenses		(9,310)	(1,351)
Finance costs	7	(8,938)	(5,388)
Impairment losses on financial assets		(33,683)	(2,426)
Share of loss of associates		(309)	(46)
PROFIT BEFORE TAX	6	406,512	122,668
Income tax expense	10	(5,550)	(3,081)
PROFIT FOR THE YEAR		400,962	119,587
Attributable to:			
Owners of the parent		395,793	118,877
Non-controlling interests		5,169	710
		400,962	119,587
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	12	RMB1.38	RMB0.45



Consolidated Statements of Comprehensive Income

	2024 RMB'000	2023 RMB'000
PROFIT FOR THE YEAR	400,962	119,587
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	17,328	2,145
	17,328	2,145
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	17,328	2,145
Other comprehensive loss 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	(532)	(91)
Income tax effect	–	(28)
	(532)	(119)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	(532)	(119)
OTHER COMPREHENSIVE INCOME FOR YEAR, NET OF TAX	16,796	2,026
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	417,758	121,613
Attributable to:		
Owners of the parent	411,759	120,873
Non-controlling interests	5,999	740
	417,758	121,613



Consolidated Statements of Financial Position

		31 December 2024 RMB'000	31 December 2023 RMB'000
	Notes		
NON-CURRENT ASSETS			
Prepayments and other receivables	20	426,593	580,869
Property, plant and equipment	13	402,973	424,911
Right-of-use assets	14	74,258	6,984
Goodwill	15	8,572	8,572
Intangible assets	16	1,670	1,867
Investments in associates		626	135
Equity investments designated at fair value through other comprehensive income	17	1,768	2,300
Deferred tax assets	26	429	1,175
Total non-current assets		916,889	1,026,813
CURRENT ASSETS			
Inventories		6,327	5,383
Assets held for sale	18	–	74,859
Trade receivables	19	107,605	89,260
Due from a related party	33	19	52
Prepayments and other receivables	20	53,778	30,355
Income tax recoverable		938	908
Financial assets at fair value through profit or loss	21	58,371	9,970
Cash and bank balances	22	779,637	207,887
Total current assets		1,006,675	418,674
CURRENT LIABILITIES			
Trade payables	23	135,438	172,398
Other payables and accruals	24	69,187	50,465
Interest-bearing bank and other borrowings	25	57,451	51,266
Tax payable		796	24
Lease liabilities	14	30,211	4,579
Total current liabilities		293,083	278,732
NET CURRENT ASSETS		713,592	139,942
TOTAL ASSETS LESS CURRENT LIABILITIES		1,630,481	1,166,755

continued/...



Consolidated Statements of Financial Position

		31 December 2024 RMB'000	31 December 2023 RMB'000
	Notes		
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	25	27,204	–
Lease liabilities	14	51,600	2,196
Deferred tax liabilities	26	42	156
Total non-current liabilities		78,846	2,352
Net assets		1,551,635	1,164,403
EQUITY			
Equity attributable to owners of the parent			
Share capital	27	205	205
Reserves	28	1,503,550	1,134,686
		1,503,755	1,134,891
Non-controlling interests		47,880	29,512
Total equity		1,551,635	1,164,403

Xu Xin
Director

Zhu Jiali
Director



Consolidated Statements of Changes in Equity

	Attributable to ordinary equity holders of the parent									
	Issued capital <i>RMB'000</i> Note 27	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i> Note 28(a)	Fair value reserve of financial assets at fair value through other comprehensive income <i>RMB'000</i> Note 28(b)	Statutory surplus reserve <i>RMB'000</i> Note 28(c)	Exchange fluctuation reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
At 1 January 2024	205	143,323	(26,967)	(197)	2,154	80,673	935,700	1,134,891	29,512	1,164,403
Profit for the year	-	-	-	-	-	-	395,793	395,793	5,169	400,962
Other comprehensive income for the year:										
Changes in fair value of equity investments at fair value through other comprehensive income	-	-	-	(526)	-	-	-	(526)	(6)	(532)
Exchange differences on translation of foreign operations	-	-	-	-	-	16,492	-	16,492	836	17,328
Total comprehensive income for the year	-	-	-	(526)	-	16,492	395,793	411,759	5,999	417,758
Capital injection from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	12,369	12,369
Statutory surplus reserve	-	-	-	-	68	-	(68)	-	-	-
2024 special dividend	-	-	-	-	-	-	(42,895)	(42,895)	-	(42,895)
At 31 December 2024	205	143,323*	(26,967)*	(723)*	2,222*	97,165*	1,288,530*	1,503,755	47,880	1,551,635



Consolidated Statements of Changes in Equity

	Attributable to owners of the parent									
	Share capital	Share premium	Capital reserve	Fair value reserve of financial assets at fair value through other comprehensive income	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 27		Note 28(a)	Note 28(b)	Note 28(c)					
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

* These reserve accounts comprise the consolidated reserves of RMB1,503,550,000 (2023: RMB1,134,686,000) in the consolidated statement of financial position.



Consolidated Statements of Cash Flows

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		406,512	122,668
Adjustments for:			
Finance costs	7	8,938	5,388
Interest income	5	(14,852)	(1,959)
Share of loss of associates		309	46
(Gains)/losses on disposal of property, plant and equipment	6	(353,342)	877
(Gains)/losses on disposal of right-of-use assets	6	(156)	39
Fair value losses/(gains) on financial assets at fair value through profit or loss		2,996	(202)
Net foreign exchange gain		(2,913)	(783)
Depreciation of property, plant and equipment	6,13	48,254	39,509
Depreciation of right-of-use assets	6,14	31,042	4,853
Amortisation of intangible assets	6,16	407	402
Impairment of prepayments and other receivables	6,20	20,809	902
Impairment of trade receivables	6,19	12,874	1,524
		160,878	173,264
(Increase)/decrease in inventories		(944)	1,215
(Increase)/decrease in trade receivables		(52,028)	58,356
(Increase)/decrease in prepayments and other receivables		(18,749)	20,661
Decrease in trade payables		(36,960)	(163,992)
Increase/(decrease) in other payables and accruals		18,722	(46,987)
Decrease/(increase) in amount due from a related party		33	(52)
Increase in restricted cash		(2,348)	–
Cash generated from operations		68,604	42,465
Interest received		14,852	1,959
Tax paid		(4,176)	(3,399)
Net cash flows from operating activities		79,280	41,025

continued/...



Consolidated Statements of Cash Flows

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(460,477)	(311,668)
Purchases of intangible assets		(210)	(142)
Proceeds from disposal of items of property, plant and equipment, and assets held for sale		981,459	27,546
Repayment of advances to related parties	33	–	631
Purchases of financial assets at fair value through profit or loss		(61,648)	(11,106)
Proceeds from disposals of financial assets at fair value through profit or loss		13,164	7,706
Investment in an associate		(800)	–
Repayment of loans from a non-controlling shareholder of a subsidiary		1,276	–
Advances of loans to a non-controlling shareholder of a subsidiary		–	(8,463)
Net cash flows from/(used in) investing activities		472,764	(295,496)
CASH FLOWS FROM FINANCING ACTIVITIES			
Deemed distribution arising from the reorganisation		–	(9,711)
Issue of shares		–	144,627
Share issue expenses		–	(9,518)
Capital injection from non-controlling shareholders of subsidiaries		12,369	16,502
Proceeds from interest-bearing bank and other borrowings		84,655	10,000
Repayment of interest-bearing bank and other borrowings		(51,266)	(27,212)
Interest paid		(3,957)	(3,264)
Increase in pledged deposits		(6,970)	(4,214)
Principal portion of lease payments	14(b)	(28,238)	(5,638)
Net cash flows from financing activities		6,593	111,572
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		558,637	(142,899)
Cash and cash equivalents at beginning of year		203,673	339,991
Effect of foreign exchange rate changes, net		3,795	6,581
CASH AND CASH EQUIVALENTS AT END OF YEAR		766,105	203,673
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	779,637	207,887
Less: Restricted cash	22	2,348	–
Pledged deposits	22	11,184	4,214
Cash and cash equivalents as stated in the consolidated statement of financial position and statement of cash flows		766,105	203,673



Notes to 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 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 Xin, Ms. Li Yan and Ms. Liu Quanxiang 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
<u>Directly held:</u>				
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
<u>Indirectly held:</u>				
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/Mainland China	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/Mainland China	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/Mainland China	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/Mainland China	RMB5,000,000	99%	Provision of cross-border logistics services



Notes to Financial Statements

1. CORPORATE INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows (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/Mainland China	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/Mainland China	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 Lcang 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/Mainland China	USD1,800,000	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 Post") *	The United States of America	USD480,000	79%	Provision of warehousing
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



Notes to Financial Statements

1. CORPORATE INFORMATION (continued)

Information about subsidiaries (continued)

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held:				
Bal Xiamen Limited ("Bal Xiamen")	Hong Kong	HKD1	100%	Provision of cross-border logistics services
LeHang Boundless Logistics Limited ("Lehang Boundless")	The British Virgin Islands	USD1	100%	Investment holding
樂艙博亞(寧波)物流有限公司 Lcang Boya (Ningbo) Logistics Co., Ltd.	PRC/Mainland China	RMB5,000,000	100%	Provision of cross-border logistics services
樂艙博亞(青島)物流有限公司 Lcang Boya (Qingdao) Logistics Co., Ltd.	PRC/Mainland China	RMB10,000,000	100%	Provision of cross-border logistics services
樂艙和盛物流工程(上海)有限公司 Lcang Hesheng Logistics Engineering (Shanghai) Co., Ltd. *	PRC/Mainland China	RMB30,000,000	51%	Provision of cross-border logistics services
樂艙易盛國際物流(連雲港)有限公司 Lcang Yisheng International Logistics (Lianyungang) Co., Ltd. *	PRC/Mainland China	RMB10,000,000	51%	Provision of cross-border logistics services

* 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".

Madagascar ariary are hereafter referred to as the "MGA".

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

Australian Dollars are hereafter referred to as the "AUD".



Notes to Financial Statements

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 2024. 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.



Notes to Financial Statements

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 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> (the "2020 Amendments")
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i> (the "2022 Amendments")
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>



Notes to Financial Statements

2. ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and the 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.

- (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. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.



Notes to Financial Statements

2. ACCOUNTING POLICIES (continued)

2.3 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

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

IFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ³
IFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i> ³
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ²
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
Amendments to IAS 21	<i>Lack of Exchangeability</i> ¹
Annual Improvements to IFRS Accounting Standards – Volume 11	<i>Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7</i> ²

1 Effective for annual periods beginning on or after 1 January 2025

2 Effective for annual periods beginning on or after 1 January 2026

3 Effective for annual/reporting periods beginning on or after 1 January 2027

4 No mandatory effective date yet determined but available for adoption

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

IFRS 18 replaces IAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as IAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 *Statement of Cash Flows*, IAS 33 *Earnings per Share* and IAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other IFRSs Accounting Standards. IFRS 18 and the consequential amendments to other IFRSs Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of IFRS 18 on the presentation and disclosure of the Group's financial statements.



Notes to Financial Statements

2. ACCOUNTING POLICIES (continued)

2.3 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS (continued)

IFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRSs Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10 Consolidated Financial Statements, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with IFRSs Accounting Standards. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply IFRS 19. Some of the Company's subsidiaries are considering the application of IFRS 19 in their specified financial statements.

Amendments to IFRS 9 and IFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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 HKICPA. However, the amendments are available for adoption now.

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.



Notes to Financial Statements

2. ACCOUNTING POLICIES (continued)

2.3 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS (continued)

Annual Improvements to IFRS Accounting Standards – Volume 11 set out amendments to IFRS 1, IFRS 7 (and the accompanying *Guidance on implementing IFRS 7*), IFRS 9, IFRS 10 and IAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- *IFRS 7 Financial Instruments: Disclosures*: The amendments have updated certain wording in paragraph B38 of IFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing IFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing IFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- *IFRS 9 Financial Instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 of IFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of IFRS 9 and Appendix A of IFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- *IFRS 10 Consolidated Financial Statements*: The amendments clarify that the relationship described in paragraph B74 of IFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of IFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- *IAS 7 Statement of Cash Flows*: The amendments replace the term "cost method" with "at cost" in paragraph 37 of IAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.



Notes to 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*.



Notes to Financial Statements

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

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.

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 or other comprehensive income, as appropriate.

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.



Notes to Financial Statements

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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.



Notes to Financial Statements

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.



Notes to Financial Statements

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 pre-tax 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 the statement of 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 the statement of 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.



Notes to Financial Statements

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.



Notes to Financial Statements

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 the statement of 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 50%

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 the statement of 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.



Notes to Financial Statements

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.



Notes to Financial Statements

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
Warehouse	Lease term

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.



Notes to Financial Statements

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 term 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.



Notes to Financial Statements

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.



Notes to Financial Statements

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 the statement of 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 the statement of 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.



Notes to Financial Statements

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 each reporting date, 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.



Notes to Financial Statements

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.



Notes to Financial Statements

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 the statement of 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 the statement of 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 the statement of 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 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 assets and settle the liabilities 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 as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.



Notes to Financial Statements

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 the statement of 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 the 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 associates, 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.



Notes to Financial Statements

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 associates, 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 the 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.



Notes to Financial Statements

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 operation of overseas warehousing services is recognized over time as customers progressively receive and consume the benefits of the Group's performance. Overseas warehousing services primarily include warehousing services, distribution and delivery services and value added logistics services. These service offerings are interrelated and integrated to provide a combined output, and therefore are jointly considered as a single performance obligation.
- (c) 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.



Notes to Financial Statements

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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.

Contract liabilities

A contract liability is recognised when a payment is received or a 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 Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.



Notes to Financial Statements

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

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.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

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.

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 Mainland China. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.



Notes to Financial Statements

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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.



Notes to Financial Statements

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 2024, the carrying amount of goodwill was RMB8,572,000 (2023: 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.



Notes to Financial Statements

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.



Notes to 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

	2024 RMB'000	2023 RMB'000
Mainland China	1,720,263	955,420
Others	226,130	283,051
Total revenue	1,946,393	1,238,471

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 (2023: Nil).



Notes to Financial Statements

5. REVENUE, OTHER INCOME AND GAIN

An analysis is as follows:

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers	1,868,487	1,020,238
Revenue from other sources		
Time charter income	77,906	218,233
Total	1,946,393	1,238,471

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2024 Segments	Cross-border logistics services RMB'000	Others RMB'000	Total RMB'000
Types of goods or services			
Cross-border logistics services	1,710,414	–	1,710,414
Overseas warehousing	123,212	–	123,212
Sale of goods	–	34,861	34,861
Total	1,833,626	34,861	1,868,487
Timing of revenue recognition			
Services transferred over time	1,833,626	–	1,833,626
Goods transferred at a point in time	–	34,861	34,861
Total	1,833,626	34,861	1,868,487
Geographical markets			
Mainland China	1,685,402	34,861	1,720,263
Others	148,224	–	148,224
Total	1,833,626	34,861	1,868,487



Notes to Financial Statements

5. REVENUE, OTHER INCOME AND GAIN (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

For the year ended 31 December 2023	Cross-border logistics services RMB'000	Others RMB'000	Total RMB'000
Segments			
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			
Mainland China	731,418	23,584	755,002
Others	265,236	–	265,236
Total	996,654	23,584	1,020,238

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:

	2024 RMB'000	2023 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the year:		
Cross-border logistics services	2,910	19,585



Notes to Financial Statements

5. REVENUE, OTHER INCOME AND GAIN (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.

Overseas warehousing

The performance obligation is satisfied over time as services are rendered and payment is generally due within 15 to 30 days from rendering the services. Warehousing service contracts are for periods of one year or less, and services are billed based on the time incurred.

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:

	2024 RMB'000	2023 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	2,825	2,910



Notes to Financial Statements

5. REVENUE, OTHER INCOME AND GAIN (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations (continued)

Sale of goods (continued)

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.

	2024 RMB'000	2023 RMB'000
Other income and gains		
Government grants	117	895
Interest income	14,852	1,959
Foreign exchange gains	–	2,007
Fair value gains on financial assets at fair value through profit or loss	–	202
Gain on disposal of items of property, plant and equipment	353,342	–
Gain on disposal of items of right-of-use assets	156	–
Others	1,359	647
Total	369,826	5,710



Notes to Financial Statements

6. PROFIT BEFORE TAX

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

	Notes	2024 RMB'000	2023 RMB'000
Cost of services provided**		1,642,025	938,616
Cost of inventories sold		34,568	23,462
Depreciation of property, plant and equipment	13	48,254	39,509
Depreciation of right-of-use assets	14(a)	31,042	4,853
Amortisation of intangible assets	16	407	402
Impairment of financial assets, net			
– Trade receivables	19	12,874	1,524
– Other receivables	20	20,809	902
Fair value losses/(gains) on financial assets at fair value through profit or loss		2,996	(202)
Share of loss of associates		309	46
Government grants		(117)	(895)
Foreign exchange losses/(gains)		3,281	(2,007)
Interest income		(14,852)	(1,959)
(Gains)/losses on disposal of property, plant and equipment		(353,342)	877
(Gains)/losses on disposal of right-of-use assets		(156)	39
Listing fee		–	24,536
Auditor's remuneration		1,980	1,650
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):			
Wages, salaries and other allowances		52,407	41,241
Pension scheme contributions and social welfare*		8,860	8,481
Total		61,267	49,722

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

** The depreciation of property, plant and equipment, depreciation of right-of-use assets and amortisation of intangible assets of RMB38,346,000 (2023: RMB30,968,000), RMB25,672,000 (2023: Nil) and RMB292,000 (2023: RMB292,000) for the year ended 31 December 2024, respectively, are recorded in "Cost of services provided" in profit or loss.



Notes to Financial Statements

7. FINANCE COSTS

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

	2024 RMB'000	2023 RMB'000
Interest on bank and other borrowings	3,957	4,812
Interest on lease liabilities (note 14(b))	4,981	576
Total	8,938	5,388

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:

	2024 RMB'000	2023 RMB'000
Fees	450	231
Other emoluments:		
Salaries, allowances and benefits in kind	4,005	2,476
Performance related bonuses	164	112
Pension scheme contributions and social welfare	254	184
Subtotal	4,423	2,772
Total	4,873	3,003



Notes to Financial Statements

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:

	2024 RMB'000	2023 RMB'000
Independent non-executive directors		
Mr. Du Haibo	150	77
Dr. Gu Lin	150	77
Mr. Qi Yinliang	150	77
Total	450	231

There were no other emoluments payable to the independent non-executive directors during the year (2023: Nil).

(b) Executive directors

2024

	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	-	1,552	100	74	1,726
Ms. Zhu Jiali	-	384	32	39	455
Mr. Yu Zhenrong	-	150	-	-	150
Subtotal	-	2,086	132	113	2,331
Chief executive:					
Mr. Xu Xin	-	1,919	32	141	2,092
Total	-	4,005	164	254	4,423



Notes to Financial Statements

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

(b) Executive directors (continued)

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

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2023: Nil).



Notes to Financial Statements

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2023: one director). Details of directors' remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2023: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2024 RMB'000	2023 <i>RMB'000</i>
Salaries, allowances and benefits in kind	2,247	2,231
Performance-related bonuses	289	134
Pension scheme contributions and social welfare	207	317
Total	2,743	2,682

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

	2024 Number of employees	2023 <i>Number</i> <i>of employees</i>
Nil to HK\$1,000,000	2	4
HK\$1,000,001 to HK\$1,500,000	1	–
Total	3	4



Notes to Financial Statements

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 Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of the subsidiaries in Mainland China as determined in accordance with the Corporate Income Tax Law.

	2024 RMB'000	2023 RMB'000
Current tax:		
Mainland China	4,437	1,106
Hong Kong	–	264
Elsewhere	481	–
Deferred tax (note 26)	632	1,711
Total tax charge for the year	5,550	3,081



Notes to Financial Statements

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:

	2024 RMB'000	2023 RMB'000
Profit before tax	406,512	122,668
Tax at the statutory tax rate	101,628	30,667
Effect of different tax rates applicable to subsidiaries	(36,211)	(13,136)
Expenses not deductible for tax	670	142
Income not subject to tax (a)	(70,111)	(28,565)
Tax losses and deductible temporary differences not recognised	9,497	13,962
Profits and losses attributable to associates	77	11
Tax charge at the Group's effective rate	5,550	3,081

- (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 associates amounted to RMB77,000 (2023: RMB11,000), is included in "Share of loss of associates" in the consolidated statement of profit or loss.

11. DIVIDENDS

The board of directors approved the declaration and payment of a special dividend of RMB0.15 per ordinary share to shareholders, totalling approximately RMB43,000,000 in aggregate (the "Special Dividend") on 8 November 2024. The Special Dividend was declared in Renminbi and paid in Hong Kong dollar. Based on the exchange rate of HK\$1: RMB0.9217, being the central parity rate of Renminbi to Hong Kong dollars as published by the People's Bank of China on 7 November 2024, the amount of the Special Dividend payable per share was equivalent to approximately HK\$0.1627.

Subsequent to the end of reporting period, a final dividend in respect of the year ended 31 December 2024 of HK\$0.44 (2023: Nil) per ordinary share, in an aggregate amount of HK\$125,958,428.64 (2023: Nil), was proposed by the directors and was subject to approval by the shareholders in the forthcoming general meeting.



Notes to Financial Statements

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

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 286,269,156 (2023: 263,607,277) ordinary shares outstanding during the year, as adjusted for the assumption that 212,952,630 new shares issued by way of capitalisation had been completed throughout 2023.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2024 and 2023.

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

	2024 RMB'000	2023 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	395,793	118,877
	Number of shares	
	2024	2023
Shares		
Weighted average number of ordinary shares outstanding during the year	286,269,156	263,607,277



Notes to Financial Statements

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 2024							
At 1 January 2024:							
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
At 1 January 2024							
Additions	2,309	1,327	20,198	135	980	8,715	33,664
Disposals	(30,429)	(33,597)	-	(36)	(28)	-	(64,090)
Depreciation provided during the year (note 6)	(20,816)	(8,048)	(5,629)	(410)	(595)	(12,756)	(48,254)
Transferred from assets held for sale (note 18)	56,179	-	-	-	-	-	56,179
Exchange realignment	275	34	-	-	-	254	563
At 31 December 2024, net of accumulated depreciation	263,621	107,634	24,862	873	1,217	4,766	402,973
At 31 December 2024							
Cost	295,907	117,951	35,034	2,296	4,171	35,264	490,623
Accumulated depreciation	(50,994)	(12,612)	(10,177)	(1,424)	(2,958)	(30,938)	(109,103)
Exchange realignment	18,708	2,295	5	1	4	440	21,453
Net carrying amount	263,621	107,634	24,862	873	1,217	4,766	402,973



Notes to Financial Statements

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 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

Certain of the Group's vessels with a net carrying amount of approximately RMB56,137,000 (2023: RMB33,638,000) were pledged to secure other borrowings granted to the Group as at 31 December 2024.



Notes to Financial Statements

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings, warehouse and containers. Leases of buildings generally have lease terms between 2 and 5 years. Lease of warehouse has lease terms of 3 years and 7 months. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. 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:

	2024 RMB'000	2023 RMB'000
As at 1 January	6,984	8,028
Additions	99,190	3,970
Disposal	(2,271)	(161)
Depreciation provided (note 6)	(31,042)	(4,853)
Exchange realignment	1,397	–
As at 31 December	74,258	6,984

(b) Lease liabilities

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

	2024 RMB'000	2023 RMB'000
Carrying amount at 1 January	6,775	7,989
New leases	99,190	3,970
Disposal	(2,427)	(122)
Accretion of interest recognised during the year	4,981	576
Payments	(28,238)	(5,638)
Exchange realignment	1,530	–
Carrying amount at 31 December	81,811	6,775



Notes to Financial Statements

14. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities (continued)

	2024 RMB'000	2023 RMB'000
Analysed into:		
Current portion	30,211	4,579
Non-current portion	51,600	2,196

The maturity analysis of lease liabilities is disclosed in note 36 to the financial statements.

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

	2024 RMB'000	2023 RMB'000
Interest on lease liabilities	4,981	576
Depreciation charge of right-of-use assets	31,042	4,853
Expense relating to short-term leases (in cost of sales)	8,031	14,633
Total amount recognised in profit or loss	44,054	20,062

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 12 months.

The rental income recognised by the Group during the year was RMB77,906,000 (2023: RMB218,233,000), details of which are included in note 5 to the financial statements.

As at December 2024, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2024 RMB'000	2023 RMB'000
Within one year	19,204	19,833



Notes to Financial Statements

15. GOODWILL

	RMB'000
At 1 January 2023:	
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	—
At 31 December 2023	8,572
At 31 December 2023:	
Cost	8,572
Accumulated impairment	—
Net carrying amount	8,572
Cost at 1 January 2024, net of accumulated impairment	8,572
Impairment during the year	—
Cost and net carrying amount at 31 December 2024	8,572
At 31 December 2024:	
Cost	8,572
Accumulated impairment	—
Net carrying amount	8,572



Notes to Financial Statements

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 rate applied to the cash flow projections is 12.6% (2023: 14.7%) per annum. The growth rate used to extrapolate the cash flows beyond the five-year period is 2.3% (2023: 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:

	2024 RMB'000	2023 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 2024 and 31 December 2023. 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 rate – The basis used to determine the value assigned to the annual revenue growth rate is the annual revenue achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.



Notes to Financial Statements

15. GOODWILL (continued)

Impairment testing of goodwill (continued)

Shanghai Sijin cash-generating unit (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.

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:

	2024 RMB'000	2023 RMB'000
Headroom	4,397	4,227
Impact by decreasing long-term growth rates	(2,035)	(835)
Impact by increasing discount rates	(2,767)	(1,825)

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 2024.

The goodwill had been tested for impairment as at 31 December 2024. 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 2024 and were of the opinion that there was no impairment provision as at 31 December 2024.



Notes to Financial Statements

16. INTANGIBLE ASSETS

	Software RMB'000
31 December 2024	
Cost at 1 January 2024, net of accumulated amortisation	1,867
Additions	210
Amortisation provided during the year (note 6)	(407)
At 31 December 2024	1,670
At 31 December 2024:	
Cost	7,083
Accumulated amortisation	(5,413)
Net carrying amount	1,670
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



Notes to Financial Statements

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

	2024 RMB'000	2023 RMB'000
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investments, at fair value	1,768	2,300

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

	2024 RMB'000	2023 RMB'000
Carrying amount at 1 January	74,859	86,557
Transferred to property, plant and equipment (note 13)	(56,179)	–
Disposals	(21,393)	(13,166)
Exchange realignment	2,713	1,468
At 31 December	–	74,859

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

	2024 RMB'000	2023 RMB'000
At the beginning of the year	30,757	36,450
Disposals	(6,845)	(5,693)
Transferred to property, plant and equipment (note 13)	(23,912)	–
At the end of the year	–	30,757



Notes to Financial Statements

19. TRADE RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	136,982	106,623
Impairment	(29,377)	(17,363)
Net carrying amount	107,605	89,260

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:

	2024 RMB'000	2023 RMB'000
Within 1 month	62,696	41,509
1 to 3 months	31,657	14,595
3 to 6 months	7,887	7,857
6 to 12 months	5,365	1,395
Over 1 year	–	23,904
Total	107,605	89,260

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

	2024 RMB'000	2023 RMB'000
At beginning of year	17,363	15,839
Impairment losses, net (note 6)	12,874	1,524
Amount written off as uncollectible	(860)	–
At end of year	29,377	17,363



Notes to Financial Statements

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 2024

	Past due					Total
	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	
Expected credit loss rate	1.09%	5.17%	20.23%	46.13%	100.00%	14.76%
Gross carrying amount (RMB'000)	63,389	33,382	9,887	9,960	9,620	126,238
Expected credit losses (RMB'000)	693	1,725	2,000	4,595	9,620	18,633

31 December 2023

	Past due					Total
	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	
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

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 RMB10,744,000 (2023: RMB29,574,000) and expected credit losses of RMB10,744,000 (2023: RMB5,670,000).



Notes to Financial Statements

20. PREPAYMENTS AND OTHER RECEIVABLES

	2024 RMB'000	2023 RMB'000
Prepayments (a)	449,921	584,925
Consideration receivables for disposal of containers	211	4,034
Deposits	26,214	10,795
Dividend receivable	835	835
Other tax recoverable	452	954
Loan to a non-controlling shareholder of a subsidiary	7,188	8,463
Loans to third parties	11,000	–
Others	6,210	2,969
	502,031	612,975
Impairment allowance	(21,660)	(1,751)
	480,371	611,224
Analysed into:		
Current portion	53,778	30,355
Non-current portion	426,593	580,869

- (a) The amount of prepayments for the purchase of property, plant and equipment is RMB424,078,000 (2023: RMB572,405,000), presented as non-current assets.

As of the end of 2023, the book value of the prepaid vessel stood at RMB572,405,000, representing the advance payment made by the Company under the shipbuilding agreement. This vessel was disposed of in July 2024 with gain of RMB354,651,000. In September 2024, the Company entered into a new shipbuilding agreement and made the initial payment of RMB422,676,000 in accordance with the contractual terms.

- (b) Except for the loans to a non-controlling shareholder of a subsidiary and third parties, other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment.



Notes to Financial Statements

20. PREPAYMENTS AND OTHER RECEIVABLES (continued)

The movements in the loss allowance for impairment of other receivables and deposits are as follows:

	2024 RMB'000	2023 RMB'000
At beginning of year	1,751	849
Impairment losses recognised/(reversed) (note 6)	20,809	902
Amount written off as uncollectible	(900)	–
At end of year	21,660	1,751

The other deposits mainly represent rental deposits and deposits with suppliers. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. As at 31 December 2024, the probability of default applied ranged from 1.25% to 100% and the loss given default was estimated to be 100%.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 RMB'000	2023 RMB'000
Listed equity investments, at fair value	49,391	–
Unlisted equity investment, at fair value	8,980	9,970
Total	58,371	9,970

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

The Group invests in an unlisted equity investment, which represents a wealth management product issued by a wealth management private fund in Mainland China. It was mandatorily classified as financial asset at fair value through profit or loss as the contractual cash flow is not solely payment of principal and interest. The Group has estimated the fair value of the unlisted investment by using the asset-based approach, the significant unobservable input of which is the adjusted carrying amount of net asset.



Notes to Financial Statements

22. CASH AND BANK BALANCES

	2024 RMB'000	2023 RMB'000
Cash and bank balances	779,637	207,887
Less: Pledged deposits (a)	11,184	4,214
Restricted cash	2,348	–
Cash and cash equivalents	766,105	203,673

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates.

- (a) As at 31 December 2024, the pledged deposits amounted to RMB11,184,000 (2023:RMB4,214,000), which were pledged for the insurance of a letter of credit for the purchase of vessels.

	2024 RMB'000	2023 RMB'000
Cash and bank balances:		
Denominated in RMB	22,828	19,764
Denominated in USD	753,128	59,989
Denominated in JPY	2	–
Denominated in MGA	2,773	468
Denominated in HKD	892	127,666
Denominated in AUD	14	–
Total	779,637	207,887

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to RMB22,828,000 (2023: RMB19,764,000). The RMB is not freely convertible into other currencies, however, under Mainland China’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.



Notes to Financial Statements

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:

	2024 RMB'000	2023 RMB'000
Within 1 year	123,969	147,842
Over 1 year	11,469	24,556
Total	135,438	172,398

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

24. OTHER PAYABLES AND ACCRUALS

	2024 RMB'000	2023 RMB'000
Contract liabilities (a)	2,825	2,910
Deposits	13,810	7,439
Payroll and welfare payables	6,792	5,804
Payables for purchase of containers	1,758	4,383
Other tax payables	296	257
Due to non-controlling shareholders of subsidiaries	5,600	15,185
Others	38,106	14,487
Total	69,187	50,465

Notes:

(a) Details of contract liabilities are as follows:

	2024 RMB'000	2023 RMB'000
Short-term advances received from customers		
Cross-border logistics services	2,825	2,910
Total	2,825	2,910

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.



Notes to Financial Statements

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2024			2023		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	2.85-3.90	2025	20,000	3.25-3.65	2024	10,000
Bank loans – unsecured	3.65-3.95	2025	21,595	–	–	–
Current portion of other long-term loans – secured	7.71	2025	15,856	11.81	2024	20,024
Current portion of other long-term loans – unsecured	–	–	–	4.35	2024	21,242
Subtotal			57,451			51,266
Non-current						
Other loans – secured	7.71	2027	27,204	–	–	–
Subtotal			27,204			–
Total			84,655			51,266

	2024 RMB'000	2023 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	41,595	10,000
Other borrowings repayable:		
Within one year	15,856	41,266
In the second year	15,545	–
In the third year	11,659	–
Subtotal	43,060	41,266
Total	84,655	51,266



Notes to Financial Statements

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

Except for the borrowings in the amount of RMB43,060,000 denominated in USD (2023: RMB41,266,000), the remaining borrowings of the Group were denominated in RMB as at 31 December 2024.

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 2024 (2023: RMB10,000,000).

Certain of the bank and other borrowings up to RMB10,000,000 were guaranteed by subsidiaries, including Ningbo Boya International Logistics Inc Corp.Ltd. (寧波博亞國際物流有限公司) and Qingdao Boya International Logistics Co., Ltd. (青島博亞國際物流有限公司), as at 31 December 2024 (2023: nil).

Certain of the bank and other borrowings up to RMB43,060,000 (2023: RMB20,024,000) were secured by mortgages over the container vessels with a net carrying amount of approximately RMB56,137,000 (2023: RMB33,638,000) as at 31 December 2024 (2023: Nil).

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 2024	466	1,486	1,952
Deferred tax credited to profit or loss during the year	(88)	(324)	(412)
At 31 December 2024	378	1,162	1,540

Deferred tax assets

	Lease liability RMB'000	Accrued expenses RMB'000	Losses available for offsetting against future taxable profits RMB'000	Impairment of financial assets RMB'000	Total RMB'000
At 1 January 2024	1,447	5	690	829	2,971
Deferred tax charged to profit or loss during the year	(404)	(5)	(690)	55	(1,044)
At 31 December 2024	1,043	-	-	884	1,927



Notes to Financial Statements

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 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



Notes to Financial Statements

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:

	2024 RMB'000	2023 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	429	1,175
Net deferred tax liabilities recognised in the consolidated statement of financial position	(42)	(156)

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

	2024 RMB'000	2023 RMB'000
Tax losses	91,240	65,062

The Group has tax losses arising in Mainland China of RMB91,240,000 (2023: RMB67,821,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

As at 31 December 2024, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, the Group's fund will be retained in Mainland China for the expansion of the Group's 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 RMB962,202,000 as at 31 December 2024 (2023: RMB942,986,000).



Notes to Financial Statements

27. SHARE CAPITAL

Shares

	2024 RMB'000	2023 RMB'000
Issued and fully paid:		
286,269,156 (2023: 286,269,156) ordinary shares of USD0.0001	205	205

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

	<i>Notes</i>	Number of shares in issue	Share capital RMB'000
At 1 January 2023		42,590,526	29
Issue of ordinary shares upon capitalisation	(a)	212,952,630	153
Issue of ordinary shares upon listing	(a)	28,390,000	21
Issue of ordinary shares upon over-allotment option	(b)	2,336,000	2
At 31 December 2023 and 1 January 2024		286,269,156	205
At 31 December 2024		286,269,156	205

- (a) 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 ordinary shares were issued by way of capitalisation. Dealings in the shares of the Company on the Stock Exchange commenced on 22 September 2023.
- (b) 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.



Notes to Financial Statements

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.

(d) Share premium reserve

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the constitutional documents and the Companies Law of the Cayman Islands, the share premium is distributable as dividend on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

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:

	2024	2023
Percentage of equity interest held by non-controlling interests:		
Shandong Lcang	1%	1%
LC Western Post	21%	21%
LCAW Shipping	50%	50%



Notes to Financial Statements

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

	2024 RMB'000	2023 RMB'000
Profit/(loss) for the year allocated to non-controlling interests:		
Shandong Lcang	1,098	1,418
LC Western Post	(978)	(206)
LCAW Shipping	10,153	(285)
Accumulated balances of non-controlling interests at the reporting date:		
Shandong Lcang	13,440	11,542
LC Western Post	3,636	4,492
LCAW Shipping	29,414	8,368

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

2024	Shandong Lcang RMB'000	LC Western Post RMB'000	LCAW Shipping RMB'000
Revenue	1,736,244	129,093	106,286
Total expenses	(1,653,499)	(133,847)	(86,680)
Profit/(loss) for the year	82,745	(4,754)	19,606
Total comprehensive income/(loss) for the year	103,273	(4,657)	20,306
Current assets	768,564	34,410	73,552
Non-current assets	940,490	76,285	–
Current liabilities	(407,559)	(44,353)	(14,724)
Non-current liabilities	(96,200)	(49,026)	–
Net cash flows from/(used in) operating activities	171,039	(14,043)	(12,121)
Net cash flows from/(used in) investing activities	161,810	(2,017)	–
Net cash flows from/(used in) financing activities	19,386	–	10,781
Effect of foreign exchange rate changes, net	(7,806)	–	(21)
Net increase/(decrease) in cash and cash equivalents	344,429	(16,060)	(1,361)



Notes to Financial Statements

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

2023	Shandong Lcang RMB'000	LC Western Post 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

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 RMB99,190,000 (2023: RMB2,981,000) and RMB99,190,000 (2023: RMB2,981,000), respectively, in respect of lease arrangement for warehouse.



Notes to Financial Statements

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 2024	51,266	6,775	–
Changes from financing cash flows	29,432	(28,238)	–
Disposals	–	(2,427)	–
Interest expense	3,957	4,981	–
New leases	–	99,190	–
Exchange realignment	–	1,530	–
At 31 December 2024	84,655	81,811	–
At 1 January 2023	66,930	7,989	9,711
Changes from financing cash flows	(20,476)	(5,638)	(9,711)
Disposals	–	(122)	–
Interest expense	4,812	576	–
New leases	–	3,970	–
At 31 December 2023	51,266	6,775	–

(c) Total cash outflow for leases

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

	2024 RMB'000	2023 RMB'000
Within operating activities	8,031	15,622
Within financing activities	28,238	5,638
Total	36,269	21,260

31. 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.



Notes to Financial Statements

32. COMMITMENTS

	2024 RMB'000	2023 RMB'000
Contracted but not provided for: Container vessels	1,721,163	1,393,167
Total	1,721,163	1,393,167

33. RELATED PARTY TRANSACTIONS

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

Name of related parties	Relationship with the Group
朱佳麗 ("Ms. Zhu Jiali")	Director 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



Notes to Financial Statements

33. RELATED PARTY TRANSACTIONS (continued)

- (b) The Group had the following transactions with related parties during the reporting period:

	2024 RMB'000	2023 RMB'000
Repayment of advances to related parties		
Ms. Zhu Jiali	–	50
Qingdao Lecang Technology Co., Ltd.	–	462
Qingdao Hongyi Enterprise Management Partnership (Limited Partnership)	–	119
Total	–	631
	2024 RMB'000	2023 RMB'000
Repayment of advances from a related party		
Mr. Xu Xin	–	9,711
	2024 RMB'000	2023 RMB'000
Revenue from a related party		
Lecang International Logistics (Wuxi) Co., Ltd.	2,935	138

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



Notes to Financial Statements

33. RELATED PARTY TRANSACTIONS (continued)

(c) Outstanding balances with related parties

	2024 RMB'000	2023 RMB'000
Due from a related party:		
Lecang International Logistics (Wuxi) Co., Ltd.	19	52
Total	19	52

(d) Compensation of key management personnel of the Group

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	7,597	3,865
Performance-related bonuses	593	178
Pension scheme contributions and social welfare	648	463
Total compensation paid to key management personnel	8,838	4,506

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



Notes to Financial Statements

34. 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 2024

Financial assets

	Financial assets at fair value through profit or loss	Equity investments designated at fair value through other comprehensive income	Financial assets at amortised cost	Total
	Mandatorily designated as such RMB'000	Equity investments RMB'000	RMB'000	RMB'000
Financial assets included in prepayments and other receivables	-	-	29,998	29,998
Financial assets at fair value through profit or loss (note 21)	58,371	-	-	58,371
Equity investments at fair value through other comprehensive income (note 17)	-	1,768	-	1,768
Trade receivables (note 19)	-	-	107,605	107,605
Due from a related party (note 33)	-	-	19	19
Pledged deposits and restricted cash	-	-	13,532	13,532
Cash and cash equivalents (note 22)	-	-	766,105	766,105
Total	58,371	1,768	917,259	977,398

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables (note 23)	135,438
Financial liabilities included in other payables and accruals	59,034
Interest-bearing bank and other borrowings (note 25)	84,655
Total	279,127



Notes to Financial Statements

34. 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 2023

Financial assets

	Financial assets at fair value through profit or loss	Equity investments designated at fair value through other comprehensive income	Financial assets at amortised cost	Total
	Mandatorily designated as such RMB'000	Equity investments RMB'000	RMB'000	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 33)	–	–	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



Notes to Financial Statements

35. 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	
	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000
Financial assets				
Financial assets at fair value through profit or loss	58,371	9,970	58,371	9,970
Equity investments designated at fair value through other comprehensive income	1,768	2,300	1,768	2,300
Total	60,139	12,270	60,139	12,270

Management has assessed that the fair values of cash and cash equivalents, pledged deposits and restricted cash, 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 an amount due from a related party 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 the listed investments are based on quoted market prices.



Notes to Financial Statements

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

The fair values of unlisted investments 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 RMB898,000 lower/higher (2023: RMB996,000). The fair values of other unlisted investments are based on quoted market prices.

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 2024 and 2023:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average P/B multiple of peers	1.25 (2023: 1.61)	5% (2023: 5%) increase/decrease in multiple would result in increase/decrease in fair value by RMB88,000 (2023: RMB115,000)
		Discount for lack of marketability	27.09% (2023: 37.85%)	5% (2023: 5%) increase/decrease in discount would result in decrease/increase in fair value by RMB30,000 (2023: 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.



Notes to Financial Statements

35. 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 2024

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Equity investments designated at fair value through other comprehensive income	–	–	1,768	1,768
Financial assets at fair value through profit or loss	49,391	–	8,980	58,371
Total	49,391	–	10,748	60,139

31 December 2023

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



Notes to Financial Statements

35. 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:

	2024 RMB'000	2023 RMB'000
Equity investments at FVTPL and FVOCI:		
At 1 January	12,270	8,759
Purchase	–	3,400
Total (losses)/gains included in other income recognised in the statement of profit or loss	(83)	202
Total losses recognised in other comprehensive income	(532)	(91)
Disposals	(907)	–
At 31 December	10,748	12,270

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 2024 (2023: Nil). Equity investments were in Level 3 for there were no observable recent transactions 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 2024 and 2023.



Notes to Financial Statements

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include financial assets included in trade receivables, an amount due from a related party, financial assets included in prepayments and other receivables, cash and cash equivalents, restricted cash 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
2024		
If RMB weakens against USD	(5)	4,413
If RMB strengthens against USD	5	(4,413)
	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)



Notes to Financial Statements

36. 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 2024

	12-month ECLs	Lifetime ECLs			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade receivables*	–	–	10,744	126,238	136,982
Financial assets included in prepayments and other receivables – Normal**	31,658	–	–	20,000	51,658
Pledged deposits and restricted cash					
– Not yet past due	13,532	–	–	–	13,532
Due from a related party**	19	–	–	–	19
Cash and cash equivalents					
– Not yet past due	766,105	–	–	–	766,105
Total	831,314	–	10,744	126,238	968,296



Notes to Financial Statements

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

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 and restricted cash					
– 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

* 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 an amount due from a related party 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.



Notes to Financial Statements

36. 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 2024

	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	8,846	25,454	53,976	88,276
Interest-bearing bank and other borrowings	8,052	53,337	29,306	90,695
Trade payables (note 23)	135,438	–	–	135,438
Other payables and accruals	59,034	–	–	59,034
Total	211,370	78,791	83,282	373,443

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



Notes to Financial Statements

36. 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 2024 and 31 December 2023.

The Group monitors capital using a gearing ratio, which is the interest-bearing bank and other borrowings divided by total equity. The gearing ratios as at the end of the reporting periods were as follows:

	2024 RMB'000	2023 RMB'000
Interest-bearing bank and other borrowings (note 25)	84,655	51,266
Total	84,655	51,266
Total equity	1,551,635	1,164,403
Gearing ratio	5.37%	4.40%

37. EVENTS AFTER THE REPORTING PERIOD

There is no significant subsequent event undertaken by the Company after 31 December 2024.



Notes to Financial Statements

38. 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:

	2024 RMB'000	2023 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	63	30
Due from subsidiaries	33,938	–
Financial assets at fair value through profit or loss	49,390	–
Cash and bank balances	36,328	127,539
Total current assets	119,719	127,569
CURRENT LIABILITIES		
Trade payables	323	–
Due to subsidiaries	43,403	3,297
Total current liabilities	43,726	3,297
NET CURRENT ASSETS	75,993	124,272
Net assets	84,383	132,662
EQUITY		
Equity attributable to owners of the parent		
Share capital	205	205
Reserves (note)	84,178	132,457
Total equity	84,383	132,662



Notes to Financial Statements

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

Note:

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

	Share premium RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2023	8,390	–	–	8,390
Total comprehensive loss for the year	–	(1,749)	(9,117)	(10,866)
Issue of shares	144,451	–	–	144,451
Share issue expenses	(9,518)	–	–	(9,518)
At 31 December 2023 and 1 January 2024	143,323	(1,749)	(9,117)	132,457
Total comprehensive loss for the year	–	1,512	108,540	110,052
2024 Special Dividend	–	–	(42,895)	(42,895)
At 31 December 2024	143,323	(237)	56,528	199,614

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 March 2025.



Financial Summary

	Years ended 31 December				
	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
Revenue	1,946,393	1,238,471	4,607,929	4,195,393	781,524
Cost of sales	(1,736,303)	(1,011,853)	(4,062,629)	(3,738,556)	(717,738)
Gross profit	210,090	226,618	545,300	456,837	63,786
Other income and gains	369,826	5,710	9,507	23,731	9,819
Selling and distribution expenses	(22,941)	(17,366)	(18,608)	(14,686)	(9,839)
Administrative expenses	(98,223)	(83,083)	(87,141)	(49,816)	(28,914)
Other expenses	(9,310)	(1,351)	(3,396)	(4,154)	(84)
Finance costs	(8,938)	(5,388)	(4,827)	(8,033)	(3,809)
Impairment losses on assets held for sale	–	–	(36,450)	–	–
Impairment losses on financial assets	(33,683)	(2,426)	(8,843)	(2,116)	(1,135)
Share of loss of an associate	(309)	(46)	(159)	5,960	281
Profit before tax	406,512	122,668	395,383	407,723	30,105
Income tax expense	(5,550)	(3,081)	(9,076)	(15,685)	(2,565)
PROFIT FOR THE YEAR	400,962	119,587	386,307	392,038	27,540
Attributable to:					
Owners of the parent	395,793	118,877	380,944	384,085	25,521
Non-controlling interests	5,169	710	5,363	7,953	2,019
	400,962	119,587	386,307	392,038	27,540



Financial Summary

	As at 31 December				
	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
ASSETS					
Non-current assets	916,889	1,026,813	801,828	294,040	140,590
Current assets	1,006,675	418,674	638,679	839,546	185,971
Total assets	1,923,564	1,445,487	1,440,507	1,133,586	326,561
EQUITY AND LIABILITIES					
Total equity	1,551,635	1,164,403	891,179	481,965	106,708
Non-current liabilities	78,846	2,352	44,258	25,454	15,113
Current liabilities	293,083	278,732	505,070	626,167	204,740
Total liabilities	371,929	281,084	549,328	651,621	219,853
Total equity and liabilities	1,923,564	1,445,487	1,440,507	1,133,586	326,561



Glossary and Definition

“AGM”	the annual general meeting of the Company to be held on 16 May 2025
“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
“Prospectus”	prospectus of the Company dated 13 September 2023



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
“RMB”	Renminbi, the lawful currency in China
“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
“USD”	United States dollars, the lawful currency in the United States
“Year”	the year ended 31 December 2024