

Stock Code: 600057

Stock Abbreviation: Xiamen Xiangyu

Xiamen Xiangyu Co., Ltd.

2023 Annual Report (Summary)

This report is prepared in both Chinese and English. The Chinese version shall prevail in case of any discrepancy between the Chinese and English texts.

To Shareholders

In 2023, the global industrial supply chain has been undergoing unprecedented challenges and restructuring, presenting market fluctuations as well as a blend of opportunities and obstacles. We have remained committed to our long-term vision and tackled difficulties head-on. Despite the complex market conditions, we have held our ground amidst the torrential market changes, achieving a counter-trend increase in market share, and boosting our operational volume. However, the pace of our operational adjustments has not promptly kept pace with the rapid market dynamics, and the depth of our current model upgrade remains insufficient, failing to fully exploit and unleash its potential value. For the first time in nearly a decade, we experienced a decline in business performance, and the journey towards strategic transformation remains challenging. Here, we would like to extend our sincerest apologies to all shareholders who have consistently demonstrated their trust and support for the Company's development.

In the face of the dynamic shifts within the industry, we persistently evaluate and fortify our own vulnerabilities. By committing to a philosophy of striving for excellence, we rigorously manage costs and risks, optimize our customer structure and product portfolio, deepen our macroeconomic and industrial research, and steadfastly adhere to our basic principle of "Rooted in the Supply Chain, Serving the Industrial Chain, Creating the Value Chain". Additionally, we challenge ourselves to leave our comfort zones, actively pursuing innovative, sustainable development strategies. As we deepen our commitment to the domestic market, we also concentrate on collaboratively advancing the "Belt and Road" initiative with high standards, aiming to achieve a seamless integration of domestic-international dual circulation. This will pave the way for a more efficient and smarter global supply chain ecosystem. We deeply understand that only by actively embracing change and diligently promoting open collaboration can we surpass ourselves and realize a more glorious prospect.

The market inevitably faces its tempests, yet we hold an unwavering belief in a radiant future where paths are strewn with lush blossoms and opportunities emerge from the shadows. Our confidence is

deeply anchored in the steady, positive direction of China's economy, the ongoing opportunities in supply chain development, and the enduring advantages of Xiamen Xiangyu's business model and rich cultural heritage. Firmly planted in the fertile soil of China's manufacturing sector, we are poised to explore vast new territories for growth. By capitalizing on the opportunities provided by leading supply chain enterprises, we are expanding our service dimensions and broadening our operational horizons. The Xiamen Xiangyu community remains committed to our grassroots spirit and passion for the cause. Every obstacle serves as a stepping stone for growth, and each challenge becomes a driving force that propels us forward. Through unyielding effort and steadfast conviction, we are determined to navigate through challenges and paint a new blueprint for high-quality development.

As we navigate through the surging waves of a new industrial revolution and globalization, we stand firmly on our cultural roots with the principles of innovation and renewal in mind. Focusing on our industrial clients, we lead the way in model innovation by leveraging our resource strengths and integrated service capabilities. We will march towards our strategic vision of becoming a world-class supply chain service enterprise with unwavering determination. Xiamen Xiangyu will cherish the trust and expectations of our shareholders, and we will repay the support of shareholders with concrete actions to forge a brighter future.

Xiamen Xiangyu Co., Ltd.

Chairman: Qidong Deng

April 24, 2024

I. Key Accounting Data and Financial Indicators

Unit: RMB Million

	FY2023	FY2022		YoY Change (%)	FY2021	
		After Adjustment	Before Adjustment		After Adjustment	Before Adjustment
Total Assets	129,705.19	115,119.21	115,056.41	12.67	95,878.86	95,834.22
Equity Attributable to the Shareholders of the Listed Company	20,841.31	17,091.57	17,091.57	21.94	17,214.26	17,214.26
Operating Revenue	459,035.45	538,148.06	538,148.06	-14.70	462,516.23	462,516.23
Net Profit Attributable to the Shareholders of the Listed Company	1,573.94	2,636.90	2,636.90	-40.31	2,194.19	2,160.27
Net profits Attributable to the Shareholders of the Listed Company before Nonrecurring Gains and Losses	507.30	2,655.99	2,655.99	-80.90	2,180.21	2,146.29
Net Cash Generated from Operating Activities	5,586.55	6,222.99	6,222.99	-10.23	5,420.00	5,420.00
Weighted Average Return on Net Assets (%)	9.29	18.06	18.06	Decrease by 8.77ppt	17.14	17.14
Basic Earnings Per Share (RMB/share)	0.63	1.10	1.10	-42.73	0.93	0.93
Diluted Earnings Per Share (RMB/share)	0.63	1.10	1.10	-42.73	0.91	0.91

II. Industry Analysis During the Reporting Period

1. Analysis of the Industry's Operating Conditions

In 2023, the bulk supply chain industry faced a complex and dynamic external environment that challenged the industry's sustainable development and risk resilience. However, opportunities and challenges coexisted, as the industry ushered in an accelerated trend towards concentration and internationalization. This shift paved the way for a more robust restructuring of the industry landscape.

With respect to challenges, on one hand, the sluggish recovery of the global economy and escalating geopolitical risks have compounded the complexity and severity of the external environment. On the other hand, insufficient effective demand has suppressed the procurement demands for bulk raw materials and led to a decline in the efficiency of commodity circulation. Furthermore, the mismatch between anticipated and actual demand has fueled substantial volatility in bulk commodities prices,

such as for corn and coal, leading to unstable trading profits and occasional industry defaults, thereby challenging the risk resilience of supply chain enterprises.

Regarding opportunities, although wide fluctuations in the prices of bulk commodities have significantly increased the difficulty of managing merchant credit and commodity price risks, leading players in the bulk supply chain industry could quickly seize the market by capitalizing on their comprehensive service offerings and superior risk management capabilities while many small and medium-sized enterprises (SMEs) in supply chain industry were forced to exit or reduce their market participation. This dynamic has fueled an accelerating trend towards industry consolidation. Moreover, the accelerated pace of Chinese companies going global has promoted supply chain internationalization, enabling top bulk supply chain enterprises to experience robust growth in their global businesses and progressively explore new avenues for growth.

In the face of opportunities and challenges, leading bulk supply chain enterprises continued to elevate their service models, enhance their service capabilities, refine risk management, and accelerate market capture, contributing to the restructuring of the industry landscape will be expedited.

2. Industry Development Trends

(1) Cyclical Fluctuations Drive Market Concentration as Leading Enterprises Expand

The heightened volatility in global commodity prices, compounded by cyclical and structural issues in some industries, has increased the operational challenges for the bulk supply chain enterprises. By leveraging their resource, service, and risk control advantages, the top-tier enterprises have proactively expanded their distribution networks and captured a larger market share, demonstrating significant capabilities for counter-cyclical expansion. According to measurements based on cargo volume, the CR5¹ market share² in China's bulk supply chain sector has experienced a considerable increase from 4.81% in 2021 to 5.46% in the first half of 2023. This growth highlighted a significant leader effect, with market concentration continuing to rise.

1 specifically referring to Wuchan Zhongda Group Co., Ltd., Xiamen C&D Inc., Xiamen ITG Group Corp., Ltd., Xiamen Xiangyu Co., Ltd., Zheshang Development Group Co., Ltd.

2 the CR5 market share = the CR5 business scale/ the scale of China's bulk supply chain market scale, where the CR5 business scale represents the combined operating (or sales) volume of the supply chain segments of the CR5 companies, and the scale of China's bulk supply chain market scale is the sum of the domestic production and import volumes of major bulk commodities

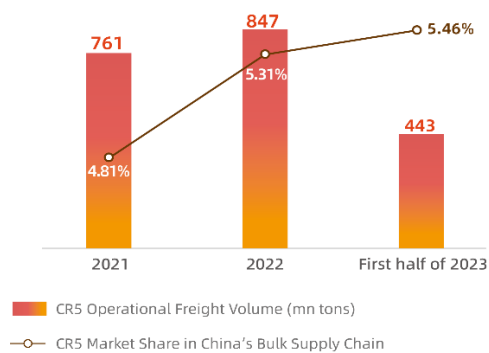


Figure 1: CR5 Operational Volume & Market Share in China's Bulk Supply Chain

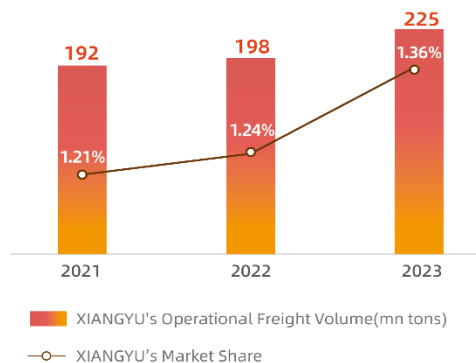


Figure 2: XIANGYU's Operational Volumes & Market Share in China's Bulk Supply Chain

(2) Evolving Customer Needs Propel Iteration of Supply Chain Service Models: “Trade-Logistics Linkage” Remains as a Key to Competitiveness

As the domestic economy shifts from high-speed growth to high-quality development, manufacturers are increasingly demanding specialized and integrated supply chain services. In response, leading supply chain enterprises are rapidly elevating their business models, with persistent efforts on product combination, link integration, chain extension, and regional collaboration. Notably, a critical element of this evolution is the ability to seamlessly integrate cross-category channels and logistics, which has become a competitive edge. By capitalizing on this “trade-logistics linkage”, top supply chain enterprises are able to engage in more service segments of the industrial chain through efficient resource distribution and networked logistics services, which enhances customer loyalty and consolidates their market position across the industry chain.

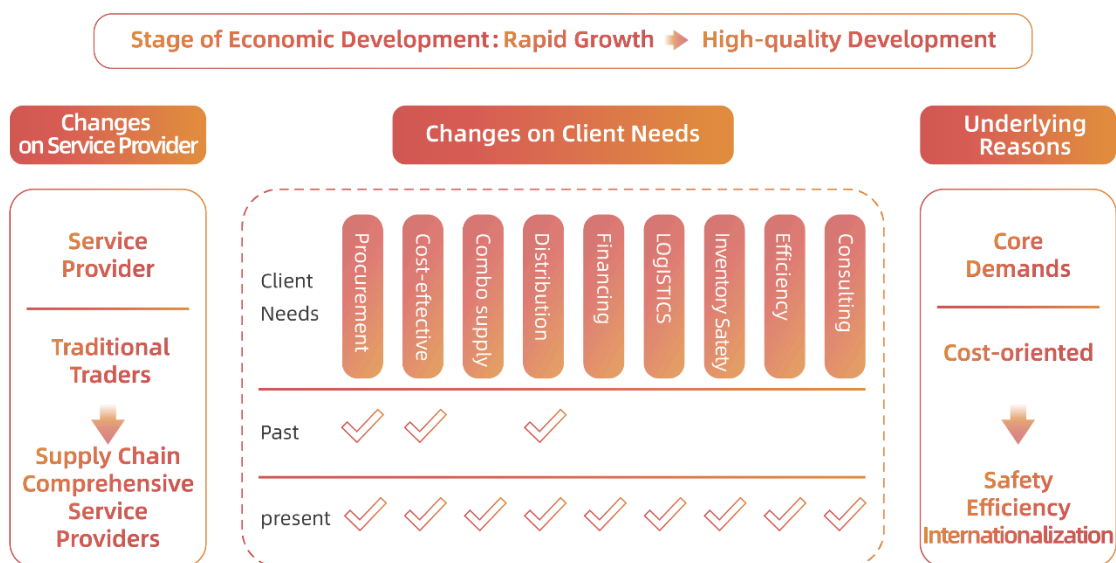


Figure 3: Changes in Customer Demand and the Evolution of Service Provider

(3) Deepening “Belt and Road” Initiative Expands Chinese Companies’ Global Reach and Unlocking New “Blue Ocean” of Global Supply Chain

As the “Belt and Road” initiative continues to deepen, Chinese enterprises are speeding up their global outreach, which gives rise to significant demand for overseas procurement and sales, international logistics, cross-border e-commerce, information consulting, and other supply chain services.

Those supply chain enterprises, who lead in overseas procurement, logistics channel construction, and international team development, are poised to leverage their service capabilities and geographical advantages to undertake the substantial overseas supply chain demands from Chinese enterprises, thereby tapping into the new “blue ocean” markets.

(4) New Development Stage Requires Accelerated Digital Transformation, while AI Empowers Supply Chain Optimization

China’s economy is shifting from “high-speed growth” to “high-quality development”, leading to escalating demands from the manufacturing industry for improving the quality and efficiency of the supply chain. In the meantime, as industry defaults sporadically occur, the importance of supply chain security continues to be highlighted, making the process of industry digital transformation increasingly urgent. Leading supply chain enterprises are responding by intensifying their investment in digital transformation, including initiatives such as the digitization of logistics facilities, establishment of secure warehouse systems, integration of multi-modal transportation systems, consolidation of freight resources, implementation of digital solutions for supply chain finance, integration with clients’ purchasing and sales systems, and the development of industry chain service systems.

Benefiting from the boom in cloud computing, big data, artificial intelligence, block chain, and other technologies, as well as their gradual infiltration into the bulk supply chain service industry, there will be effective enhancement of coordination efficiency across all segments of the bulk supply chain. This will enable platform-based sharing of logistics, commerce, information, and capital flows, thereby promoting the optimization of the industry chain and supply chains.

III. Business Analysis During the Reporting Period

The Company specializes in bulk supply chain services, targeting manufacturing enterprises as the core customers. By offering comprehensive services, which include procurement and sales of bulk raw and auxiliary materials, distribution of finished products, logistics and distribution, supply chain finance, and information consulting, the Company is committed to becoming a world-class supply chain service enterprise.

1. Product Combination

Based on customer needs and its own business philosophy, the Company employs the following criteria for product selection: ①Strong liquidity and easy monetization; ②High standardization and easy storage; ③Large demand and long industrial chain to provide comprehensive services at multiple stages. The Company currently mainly deals in bulk such as metallic minerals, agricultural products, energy and chemicals, and new energy, covering seven core categories: “ferrous metals, aluminum, stainless steel, new energy, coal, oil and grain”.

By vertically extending and horizontally replicating along the industrial chain based on industry cycles, the Company consistently enriches and optimizes the product portfolio. Meanwhile, the Company diligently focuses on important niche categories to establish scale advantages. These compounded initiatives forge our ability to provide a comprehensive package of bulk supply.

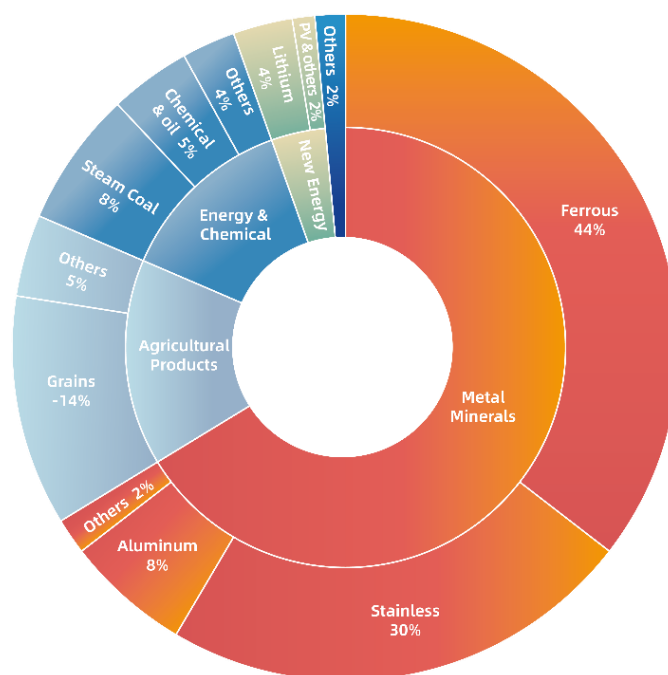


Figure 4: Breakdown of Combined Futures and Spot Gross Profit in 2023

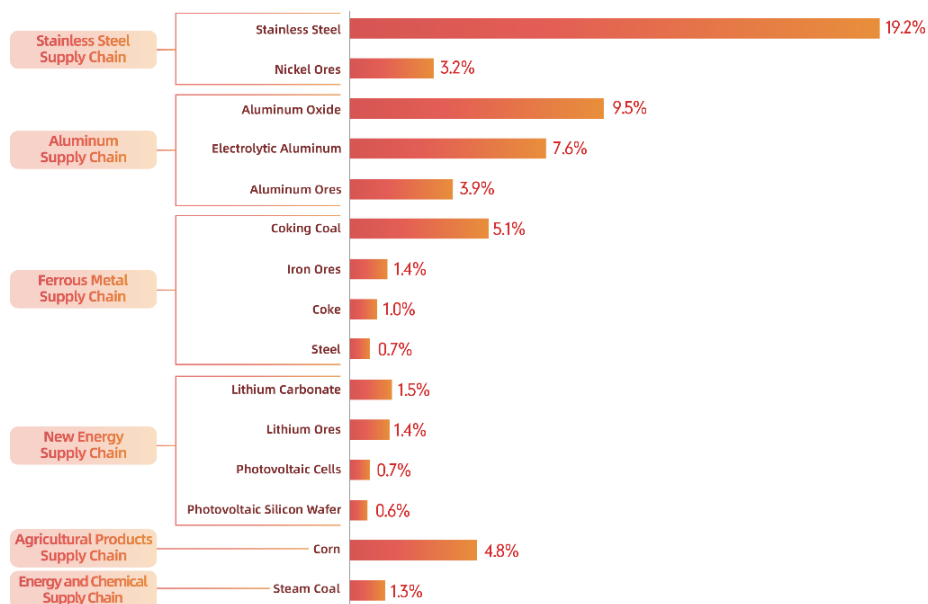


Figure 5: Market Share of Core Products in 2023

Note:

- a. Market share = Company's operational volume / (Domestic production + Import volume), where the Company's operational volume does not include transshipment volume.
- b. Estimated market size of stainless steel materials = Production of crude stainless steel + Import volume of stainless steel.

2. Customer Structure

The Company targets manufacturing enterprise clients and continuously optimizes its customer structure. In 2023, manufacturing enterprise customers contribute more than 60% of our commodity business. Notably, the proportion of manufacturing enterprise customers in the new energy supply chain surpasses 80%, and this figure is above 70% in the ferrous metal and aluminum supply chain, above 60% in the coal and raw grain supply chain, and above 50% in the stainless steel supply chain.

Moreover, the Company focuses on developing domestic and international upstream mining channels to enrich supplier resources, leading to a gradual increase in the proportion of long-term mining agreements and direct procurement.

3. Regional Presence

The Company has established 10 platform companies in China, expanding its business presence to cover 34 provincial-level administrative regions. Its core business area is gradually extending inland from the coast, with a focus on tapping the supply chain demand of modernized industrial clusters in the central and western regions.

In recent years, the Company has strategically positioned itself along the “Belt and Road” countries and regions, actively exploring international markets. It has established platform companies in Singapore, the United States, Vietnam, Indonesia, and other countries. Its cooperative partners span over 100 countries, with an emphasis on connecting with high-quality procurement and sales channels abroad and exploring the overseas supply chain demands of large Chinese enterprises.

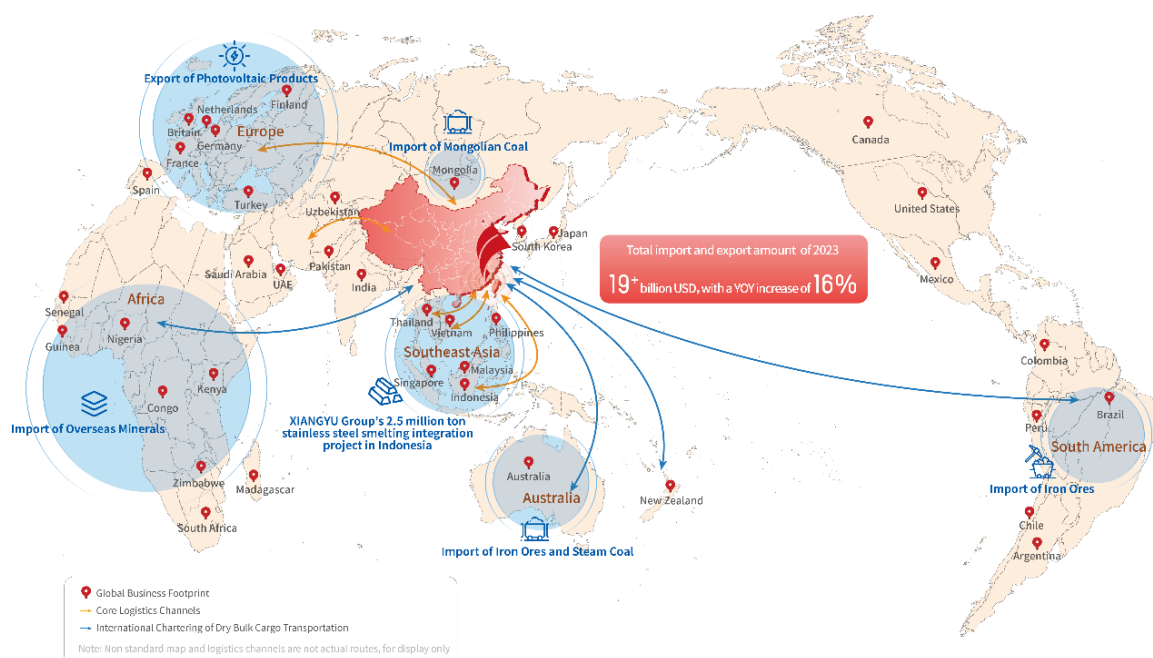


Figure 6: Company’s Global Business Footprints

4. Business Mode

The Company transitioned from a “Single-point Service” to an “Integrated Service” model, offering one-stop comprehensive services such as raw material procurement, finished product distribution, inventory management, warehousing and logistics, and supply chain finance. Following this, the Company extended its “Integrated Services” upstream and downstream along the industry chain, and initiated “Full-industry Chain Service Model”. Having established service advantages across the entire industry chain, the Company capitalized on the opportunity to enter the productive manufacturing links with value-adding potential, forming an industrial chain operation mode of “Supply Chain Services + Production Manufacturing”, further improving comprehensive revenue profitability and buffering cyclical fluctuations.

In the era of digital intelligence, the Company has accumulated a vast array of service cases and data gathered from specific business scenarios, which enables us to swiftly respond to customer

needs and recommend suitable products and services. Leveraging the advantages of our distinctive “trade-logistics linkage”, we achieve regional warehouse cross-region distribution and logistics integration and deliver customized supply chain solutions.

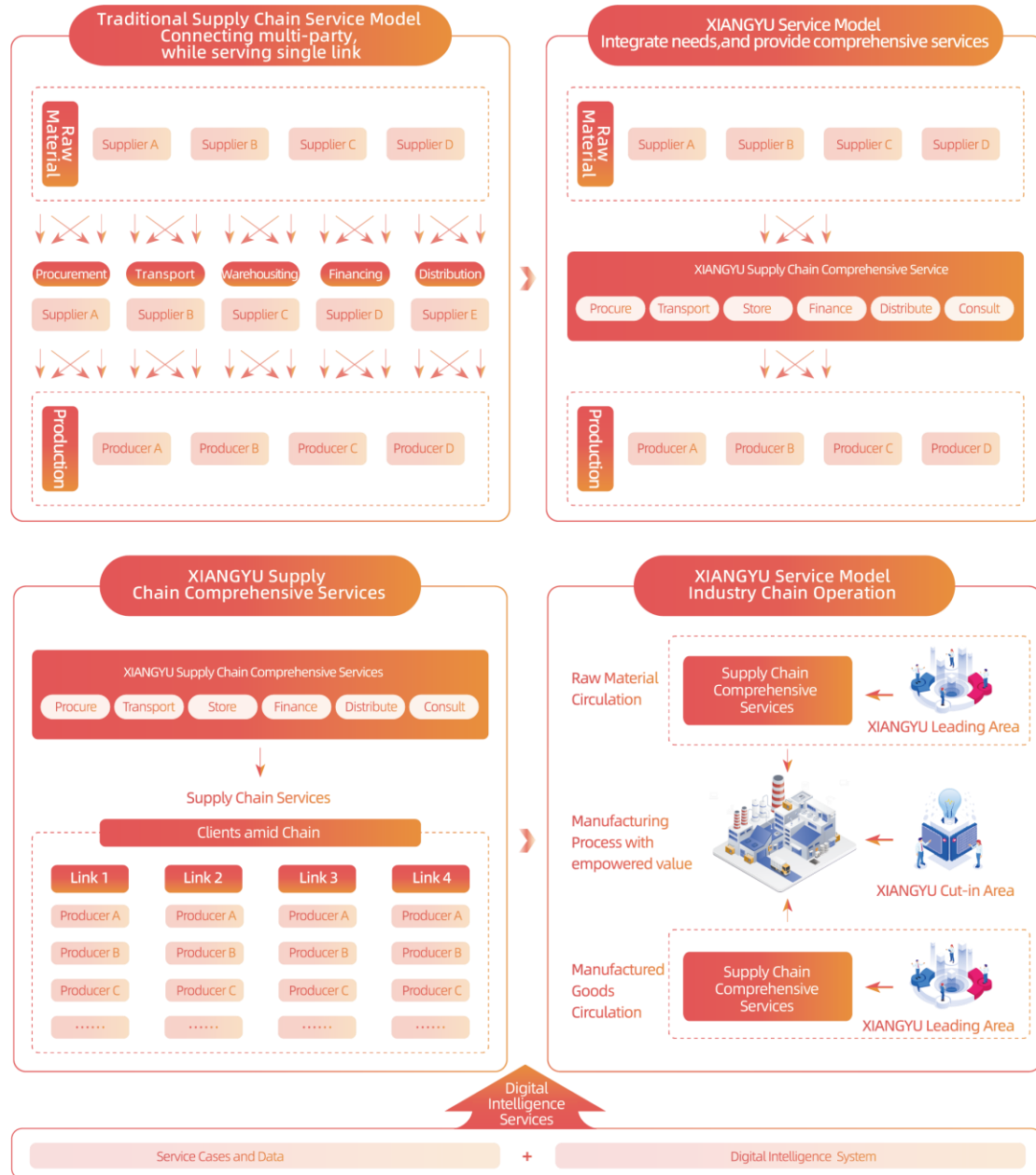


Figure 7: Evolution of the Company's Operating Model

5. Profit Mode

The Company prioritizes service and scale-driven profitability, and also capitalizes on price differentials to generate profits. For a detailed breakdown of the Company’s profit, please refer to the table below.

Table 1: Profit Structure and Definitions

Types of Profit		Interpretation
Service Profits		By leveraging the benefits of platformization and scaling operations, the Company offers customers comprehensive services across the entire industry chain. The Company offerings include procurement and sales, processing, logistics and distribution, supply chain finance, and information consulting, for which the Company earns service fees
Transaction Profits	Scale Collective Bargaining Profit	Leveraging our extensive business volume, we strive to achieve cost advantage through centralized procurement and specialized operation, thereby reducing operational costs across all segments and contributing to trading revenue.
	Profiting from Price Disparities	By leveraging the Company’s expertise in professional analysis, the Company conduct trades by studying the trends of commodity price changes over time and the spatial differences in pricing across different regions to generate profitability.

IV. Analysis of Core Competitiveness During the Reporting Period

1. Networked Logistics Service Capability

As a national 5A-level logistics enterprise, the Company has developed three key logistics operating entities (Xiangyu Superchain, Xiangdao Logistics, Xiangyu Agricultural Products) and owns a team of specialized, market-oriented, and internationally experienced logistics service professionals. The Company has taken the lead in establishment of networked logistics service system that revolves around “highway, railway, waterway, and warehouse” linking markets both domestically and internationally. This system includes a railway transportation network that connects the east and west regions and links the north and south regions, a highway transportation network that radiates throughout the country, a waterway transportation network that extends from major domestic ports to the “Belt and Road” regions, a warehouse cluster that covers the coastal areas in the east and the bulk distribution areas in the central and western regions, and international logistics channels such as international chartering and international freight trains that link overseas markets.

The Company leverages the advantages of multiple multi-modal transport routes to provide customers with high-quality, end-to-end, and customized bulk commodity logistics solutions, successfully forming multiple premium routes such as “Cross-province Circulation of Aluminum

Products,” “North-to-South Grain Transportation,” “West-to-East Coal Transportation,” and “North-to-South Coal Transportation”.

The networked logistics service system is one of the core capabilities of the Company in serving manufacturing enterprises and also serves as an important cornerstone for the Company’s cargo rights control and business digital transformation.

Table 2: Logistics Resources and Capabilities

Category	Resources Capacity
Railway	The Company operates 11 railway cargo stations (9 self-owned, 1 managed and 1 leased), covering major commodity distribution hubs in the central and western regions. It is supported by 47 dedicated railway lines, approximately 2.5 million square meters of container yards and warehouses, and around 30k self-owned containers. The annual transportation capacity exceeds 45 million tons, ranking among the top in the industry. It has also formed high-quality transportation routes for coal and aluminum products, such as “Shandong/Henan-Xinjiang” and “Shaanxi-Yunnan/Guizhou/Sichuan”.
Highway	The Company possesses a fleet of around 1,000 vehicles and integrates more than 100k vehicles from the market.
Waterway	The Company owns 3 multipurpose vessels, continuously integrating vessels from market to form a combined water transportation capacity of "self-owned + cooperative". During the reporting period, the total transportation volume in domestic coastal and Yangtze River areas exceeded 27 million tons.
Warehousing	The 7 grain procurement platforms boast a combined storage capacity of over 13 million tons, accompanied by 9 dedicated railway lines. The Company owns 52 warehouses (self-owned or leased) covering an area of approximately 1.6 million square meters and 8 yards with a cumulative expanse surpassing 500k square meters. Additionally, it has 17 futures delivery warehouses with a total capacity of around 1 million tons.
International logistics	By leveraging logistic capabilities in global dry bulk chartering and international rail logistics corridors, the Company is establishing the China-Indonesia logistics corridor (targeting a cargo volume exceeding 17 million tons during the reporting period), the China-Vietnam & Thailand logistics corridor, and the China-Europe bi-directional transportation corridor. Through these channels, we aim to enhance our international multi-modal transportation capabilities and strengthen our overseas localized logistics services.

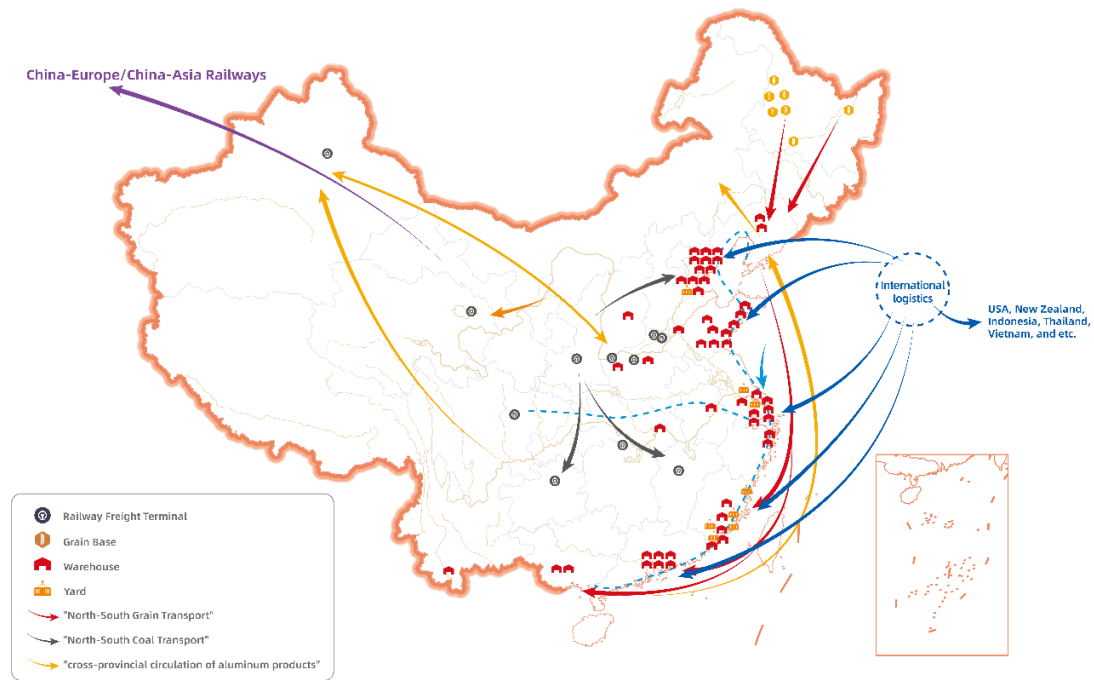


Figure 8: Company's Nationwide and International Networked Logistics Service Ecosystem

2. Digitalized Supply Chain Service Capability

The Company focuses on three core goals: expanding the incremental market, improving service efficiency, and elevating the business model. Leveraging vast business data, extensive customer resources, and diverse application scenarios, it has constructed an intelligent information technology system. The Company utilizes smart logistics systems for warehouse digital management and develops the “YuLianTong” digital supply chain service system, which effectively connects fund providers with customer demands. Additionally, the Company promotes the development of agricultural industry-level supply chain service system to serve grain producers and achieve mutual win.

Furthermore, the Company establishes an integrated system that encompasses modules like financial control, human resources management, customer relations, risk management, and equipment & asset management to support business operation. Through enterprise management analysis systems, customer analysis, and big data operation systems, we extract and analyze extensive business data to support business decision-making.

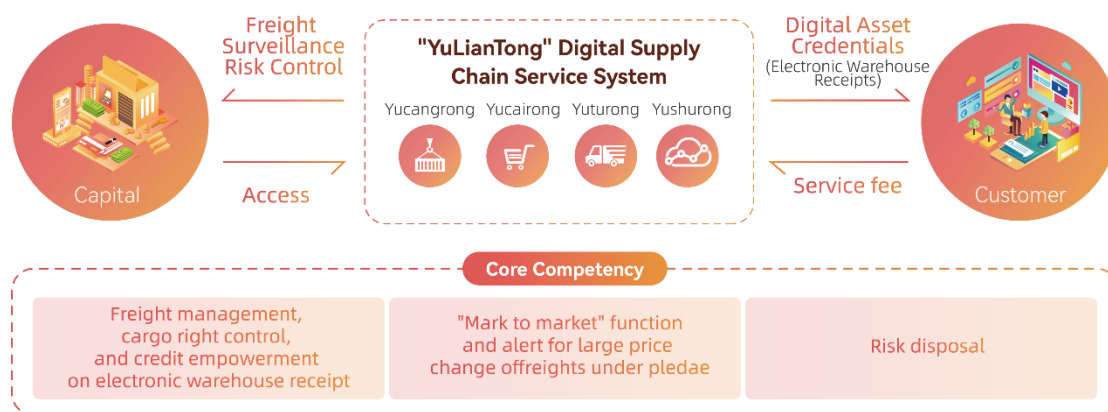


Figure 9: "YuLianTong" Digital Supply Chain Service System

3. Systematic Risk Management Capability

The Company firmly grasps the foundations of risk control by targeting manufacturing enterprises as its core clients and focusing on highly liquid, easily convertible, standardized, and storable bulk as its main products. It adapts the composition of these products dynamically based on industry cycle changes to strengthen its ability to hedge against cyclical risk.

The Company has always maintained a reverent attitude towards the market, prioritizing risk control over profit and scale. It has currently established three lines of defense for operational risk (i.e. frontline business departments, headquarters risk control departments, and headquarters audit departments). It implements a multi-departmental joint, collective prevention and control mechanism, around the establishment of pre-control management systems, in-process management, post-event review, and system optimization. Major risks identified by the Company are mapped, categorized, and managed through a hierarchical and stratified approach. Additionally, digital tools are leveraged to strengthen key risk management areas, such as customer credit risks and price risks, through automated warning systems to ensure operational stability.

4. Global Channel and Resource Integration Capability

The Company has cultivated a strong customer base consisting of top-tier enterprises in the metal minerals, agricultural products, energy and chemicals, and new energy industries, forming a robust and well-established global business network. Through close collaboration with customers from upstream and downstream at home and abroad, fund providers, technology support providers, and logistics service providers, the Company integrates abundant industry resources, information resources, logistics resources, and financial resources to provide customers with integrated supply

chain solutions. As a result, the Company's resource advantages are increasingly strengthened, its business model is becoming more mature, and its upstream bargaining power, downstream distribution capabilities, and comprehensive supply chain service capabilities are continuously enhanced.

5. Multidimensional Industry Research Capability

The Company has set up a three-tier research framework consisting of Research Institute of the Group Headquarters, Industry Research Department of the Corporation and Research Departments within front-line operating entities. It possesses a dedicated research team conducting researches on macroeconomic, industry, and product dimensions. The Company has also built comprehensive supply chain databases, encompassing operations, finance, logistics, risk management, and human resources. With the accumulation of extensive data, it has established data processing models to continuously enhance its data mining capabilities.

6. Specialized Supply Chain Service Team

The Company places a strong emphasis on talent development and team building, cultivating a market-driven, specialized, and globally-oriented supply chain service team which could provide professional supply chain solutions tailored to customer needs. Meanwhile, the Company consistently enhances its international human resources system through a dual strategy of external recruitment and internal training, cultivating an elite talent pool with an international perspective and service expertise. Additionally, the Company's team management and performance evaluation mechanisms are highly market-oriented, effectively motivate core management and front-line business teams to demonstrate initiative, proactivity, and creativity.

V. Management Discussion and Analysis of Business Operation

1. Key Operating Results and Business Data for 2023

(1) Key Operating Results

In 2023, the external environment presented challenges, with global economic growth momentum faltering. As the market demand remained sluggish, with overcapacity in certain industries, the commodity prices experienced downward fluctuations. Despite the Company's sustained efforts to drive model transformation over the years, its predictive and adaptive capabilities, as well as the

flexibility in adjusting operational strategies, still need improvement in the face of market changes. Consequently, the Company's operational performance was negatively impacted, particularly in the profitability of the agricultural supply chain. During the reporting period, the Company recorded revenue of 459 billion RMB, down by 14.70% YOY, and net profit attributable to the parent company was 1,574 million RMB, a YOY decrease of 40.31%.

Embracing a long-term perspective, the Company adeptly seizes opportunities within industry cycles. Despite market fluctuations, the Company achieved a counter-cyclical increase in market share and a total volume of bulk commodity operations reaching 225 million tons, marking a YOY growth of 13.74%. Notably, operational volumes for ferrous metals, steam coal, aluminum, and grain commodities all surged by over 10% YOY, while new energy commodities saw an YOY increase of over 70% and oil products grew by over 110% YOY.

The Company's brand influence continues to grow, evidenced by an impressive streak of 12 consecutive years in the "Fortune China 500" list, reaching a remarkable 25th position. It was named the top national general warehousing enterprise in 2023 and recognized for pioneering the Chinese digital warehouse standard system. Moreover, the Company was lauded as a leader in logistics ESG practices in China for 2023 and secured the second spot in the esteemed "Top 50 Chinese Logistics Enterprises" list for the same year, all while maintaining an AAA credit rating.

Despite the negative impacts on the Company's operational performance over the past year, it has successfully stabilized its core business amidst cyclical fluctuations. Through adjustments to its operational strategy, the business model remains robust and the Company is going to further promote its high-quality development.

(2) Key Business Data

① Bulk Commodity Trading

The Company leverages bulk commodities as its core business, entering into comprehensive agreements with clients to offer integrated supply chain services encompassing procurement, distribution, logistics, supply chain finance, information consulting, and processing. The revenue and profitability from this segment are reflected in the results of core commodity trading, as outlined below:

Unit: billion, RMB

Category	Operating Volume		Operating Revenue		Combined Futures and Spot Gross Profit		Combined Futures and Spot Gross Profit Margin	
	Volume (million tons)	YOY	Amount	YOY	Amount	YOY	Value	YOY
Commodity Trading	225.15	13.74%	439.2	-15.64%	6.14	-31.84%	1.40%	Decrease by 0.33ppt
Among these:								
Metallic Mineral	131.27	12.53%	271.5	-22.22%	5.18	-5.71%	1.91%	Increase by 0.33ppt
Agricultural Products	20.35	15.33%	60.7	16.71%	-0.54	-138.42%	-0.89%	Decrease by 3.61ppt
Energy and Chemical	73.17	15.32%	86.8	-5.52%	1.05	-35.37%	1.21%	Decrease by 0.56ppt
New Energy	0.37	71.09%	19.2	-23.24%	0.34	-28.19%	1.78%	Decrease by 0.12ppt

Note:

- a. The Company provides integrated supply chain services and engages in spot trading to support its operations. It utilizes futures instruments to hedge against price volatility in the commodity markets, resulting in changes in fair value and gains or losses from the disposal of such instruments. The combined gross profit and gross profit margin of the futures and spot trading are calculated after accounting for the hedging gains or losses.
- b. The decline in grain prices, coupled with the seasonal concentration of procurement and phased sales, has led to a YOY decrease in the combined futures and spot gross profit and gross margin in the agricultural product supply chain
- c. By improving resource and channel distribution and expanding battery manufacturer customers, the Company has experienced a significant increase in operating volume in the new energy supply chain. However, factors such as industry overcapacity and slowing demand growth have led to a decrease in operating revenue, combined futures and spot gross profit and gross margin.

② Bulk Commodity Logistics

In addition to serving the internal supply chain business team, the Company's logistics system also provides services to external customers in the open market. The operating results of this segment are independently accounted for, as detailed below:

Unit: million, RMB

Category	Operating Revenue		Gross Profit		Gross Profit Margin	
	Amount	YOY	Amount	YOY	Value	YOY
Commodity Logistics	7,085	-7.84%	703	-22.58%	9.93%	Decrease by 1.89ppt
Among these: Integrated Logistics	5,541	-13.39%	550	-13.71%	9.93%	Decrease by 0.04ppt
Agricultural Product Logistics	290	-6.88%	102	-46.11%	35.16%	Decrease by 25.60ppt
Railway Logistics	1,254	28.09%	51	-37.28%	4.07%	Decrease by 4.24ppt

Note:

- a. Integrated logistics, agricultural logistics, and railway logistics refer to the market-oriented logistics services provided by three subsidiaries of Xiangyu, namely Xiangyu Superchain,

Xiangyu Agricultural Products, and Xiangdao Logistics. Integrated logistics mainly includes international routes, international trains, inland water transportation, road transportation, domestic and overseas warehousing, while agricultural logistics mainly includes grain national and provincial storage services.

- b. The decrease in national storage business volume has resulted in an increase in fixed costs per ton, leading to a YOY decline in the gross profit margin of agricultural product logistics.
- c. By continuously providing services to transport coal out of Xinjiang and expanding logistics services for various product categories such as aluminum products, steel, and kaolin, railway logistics revenue has increased on a YoY basis. However, factors like the slowdown in the growth rate of the railway logistics market, adjustments in policies regarding empty container return discounts, and significant fluctuations in the coal market have contributed to a YOY decrease in both gross profit and gross profit margin of railway logistics.

③ Production & Manufacturing

After establishing a service advantage throughout the industry chain, the Company strategically ventured into the value-added production and manufacturing sector. This move resulted in the development of an integrated industrial chain operating model that combines supply chain services with production and manufacturing, the objective is to enhance overall profitability and mitigate the impact of cyclical fluctuations in the industry. The operating results in the manufacturing segment for this period are as follows:

Unit: million, RMB

Category	Operating Revenue		Gross Profit		Gross Profit Margin	
	Amount	YOY	Amount	YOY	Value	YOY
Production & Manufacturing	10,869	33.14%	1,317	88.56%	12.12%	Increase by 3.56ppt
Among these: Shipbuilding	4,737	42.62%	1,069	257.56%	22.56%	Increase by 13.56ppt

Note:

- a. The company's manufacturing segment includes shipbuilding, beneficiation and oil processing. The business entity of shipbuilding sector is the Company's subsidiary, Nantong Xiangyu Shipbuilding & Offshore Engineering.
- b. The shipbuilding sector continues to refine its independently designed 63,500 DWT (Jixiang) series of ships, with the brand gaining traction and leading to order increase. Through innovative process methods and optimized production techniques, the sector has achieved cost leadership, reduced construction cycles, and successfully delivered 23 ships annually, significantly bolstering operational efficiency.

2. Key Initiatives and Accomplishments for 2023

In 2023, the Company adhered to the business philosophy of “Rooted in the Supply Chain, Serving the Industrial Chain, Creating the Value Chain”, leveraged the advantages of platformization, strengthened the integration of resources, innovated the business model, accelerated the international expansion, and empowered digitization, so as to consolidate the foundation for our long-term development.

(1) Improvement of Platform Capabilities

① Product Operating Capability

In terms of the metal mineral supply chain, the Company has deeply ploughed into the services for the “Xiangyu Group's integrated stainless-steel smelting and refining project in Indonesia, with a production capacity of 2.5 million tons”. Our upstream collaboration involves partnerships with over 50 nickel mines, while downstream efforts include increasing the proportion of long-term agreements to 60% and establishing a platform for stainless steel deep-processing. The volume of ferrous metal operation has increased by 16% YOY. We achieved our first breakthrough in bauxite with the operation volume exceeding 10 million tons, and remained the proportion of the nationwide circulation in alumina above 15%.

In agricultural supply chain, industry profitability was negatively affected by the strategy of centralized procurement and batch sales, coupled with the significant fluctuations in corn prices. In the face of the unfavorable situation, the Company gradually optimized its business model, accelerated its inventory turnover and diversified its product categories, resulting in the operation volume of wheat exceeding 1.5 million tons.

In the energy and chemical supply chain, the company has actively expanded non-electric terminal clients in cement, paper manufacturing, chemicals, and metallurgy sectors, with the number of non-electric customers surpassed 40. The steam coal operation volume experiences a YOY growth above 10%. In response to market dynamics, we vigorously expand overseas crude oil resources and significantly increase cooperation with refinery customers, resulting in an over 110% YOY increase in the operation volume of petroleum products.

In the new energy supply chain, the Company has deeply explored supplier resources in Australia, Africa, South America, and other regions, established a collective procurement center in Africa, and achieved over 100% YOY increase in lithium mine operation volume.

② Logistics Service Capability

First, the Company improved the networked logistics service system. In terms of highway transportation, there has been an addition of more than 49k vehicles, with a steady growth in the volume of goods carried. Regarding railway transportation, we have added new sites in Xinjiang,, developed strategic clients, achieved a coal transportation volume of about 20 million tons, and realizing an increase in the transportation of multiple categories. In the field of water transportation, by integrating social shipping online, we achieved an annual shipping volume of over 10 million tons. In terms of warehouse, 13 domestic self-operated warehouses and 3 overseas warehouses have been established, with 3 future delivery warehouses newly approved.

Second, the Company has been strengthening the “trade-logistics linkage” system and developing specialized logistics routes for the industry chain. Notably, we have formed three main routes in Africa.

③ Manufacturing Synergy

In the shipbuilding segment, the Company persistently prioritizes brand leadership and has independently optimized the design of 63500 DWT (Deadweight Tonnage) bulk carrier. Throughout the year, the Company secured new orders for 37 ships and reached a total value of over 8.2 billion RMB, breaking the records in both the order number and gross profit from received orders. By the end of 2023, the company held orders for 64 ships.

In the beneficiation segment, the Company continues to expand long-term agreements with foreign mines and core suppliers, building a solid foundation for raw ore procurement. By deepening the synergy between production, procurement, and sales, the Company advances a dual-strategy approach of differentiated competition and cost advantage. This strategy has resulted in an increase of 43% in raw ore procurement volumes; moreover, both the production and sales volumes of concentrate have increased by 64% and 57%, respectively.

In the oil processing segment, the Dalian Plant Protein Project has been signed, further refining the Company's layout of the fats and oils industry chain.

(2) Acceleration of International Expansion

In 2023, the Company has further developed its overseas platforms and accelerated its international expansion, with a total international business volume of approximately USD 19.1 billion, showing a remarkable YoY growth rate of 16%. The Company's imports amount to nearly USD 17 billion, with a YoY growth above 30%.

In terms of bulk commodities operations, achieved breakthroughs in the international business of aluminum, agricultural products, coking coal, oil products, and new energy categories. The import volume of aluminum alloy ingots has increased by over 330% YOY, and the transshipment volume of scrap aluminum has grown by over 150% YOY. The import volume of Mongolian coal has risen by over 170% YOY, and its share of China's total imports of Mongolian coal has surpassed 17%. The import value of palm oil has increased by over 120% YOY. The total export amount of photovoltaic products has grown by over 100% YOY.

In the realm of bulk commodity logistics, the Company purchased SMX vessel in Indonesia. The volume of domestic maritime barge business in Indonesia has grown by over 80% YOY, the volume of maritime business on the China-Indonesia and its extended routes has increased by over 200% YOY, the traffic flow on the China-Vietnam and China-Thailand routes has increased by 7.5% YOY, and the international dry bulk channel reaches thousands of ports, with the number of operated voyages increasing by 6 times YOY. The round-trip shipment volume of China-Europe and China-Central Asia trains has increased by 60% YOY.

(3) Promotion of Digital Empowerment

Firstly, the Company has broadened the cooperative banking resources, product accessibility, and business scenarios of its "YuLianTong" digital supply chain service system, thereby enriching its product portfolio with newly launched "YuShuRong". The whole system has secured special credit amounting to 10.6 billion RMB for its clients, with their annual credit utilization exceeding 2.7 billion RMB. The system has been awarded the 'DingGe Award' for being a Benchmark in Supply

Chain Transformation and has been recognized as an “Outstanding Example in China’s Logistics and Supply Chain Finance”.

Secondly, the Company has increased the penetration rate of the agricultural industry-level supply chain service system within the three major production areas of Suihua, Yi’an, and Fujin, with over 1.12 million acres of new certified land. Meanwhile, by interconnecting systems such as “Xing Xing Xiang Nong” app and the WaaS system, we have achieved a comprehensive online solution for the return of grain.

Thirdly, the Company has refined its freight network risk control system, which gives priority to systems supported by human oversight, thereby optimizing logistics information sharing and enhancing the safety management of goods in transit.

Fourthly, the Company has upgraded the digital management system to promote comprehensive operations across all depots through the smart logistics system, which brought a 50% increase in document efficiency. The Company has built Xiangdao Logistics Smart Park 1.0, with a 65% increase in weighing speed; it has also promoted a pilot project on intelligent driving, which led to a 75% improvement in the efficiency of locating goods and a 50% increase in outbound efficiency. Furthermore, improvements have been made to the “Cloud Supply Chain” customer self-service portal, which provides one-stop supply chain operation services and has resulted in nearly a 40% increase in business and document efficiency.

3. Key Business Plans for 2024

The Company maintains a steadfast belief in the unchanged fundamentals of economic recovery and long-term growth, the enduring strategic opportunities in the development of industrial and supply chains, and the constancy of the Company’s strategic leadership and competitive advantages. Having endured the severe test of the past year, the Company is fully resolved to learn from past experience and has become even more determined to pursue long-term, stable growth.

Our strategic focus will be on the following key areas:

International Expansion: We will seize the development opportunities presented by the “Belt and Road” initiative and embrace the new development pattern of “dual circulation” involving both domestic and international markets. We aim to enhance our global supply chain capabilities.

Upstream, we intend to acquire overseas resources. Downstream, our focus is on expanding industrial customers, and boosting the export advantage of our photovoltaic products. Concurrently, we will fortify our logistics collaboration, enhance the establishment of international logistics channels, and develop domestic and international specialized logistics routes for industries such as aluminum and agricultural products.

Digitalization: We will implement our digital transformation strategy and advance the development of key projects. We aim to further enrich the product matrix of the “YuLianTong” digital supply chain service system.. We will also promote the “Cloud Supply Chain” self-service portal for customers, drive direct connection with upstream/downstream business partners as well as major port terminals, achieving efficient collaboration.

Agricultural Product Sector: The Company will enhance the scale of service-oriented businesses such as “LiangLianTong”, futures delivery, and collection and storage services; as well as adjust the procurement and sales pace, strengthen inventory rotation, and reduce inventory exposure, contributing to steady growth.

Manufacturing Sector: The Company will secure a competitive edge with our brand, upgrade our self-designed ship models, seize market opportunities, and improve operational quality and efficiency.

Risk Management: To meet the industry’s regulatory requirements set by government departments, we plan to promote model transformation and optimize our risk management framework.