

Stock Code: 600057

Stock Abbreviation: Xiamen Xiangyu

Xiamen Xiangyu Co., Ltd.
2024 Interim 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.

I. Explanation of the company's industry and main business during the reporting period

1. Analysis of the Industry's Operating Conditions

In the first half of 2024, China's economy showed overall stability, with steady progress in transformation and upgrading, and a stable recovery in the performance of large-scale industrial enterprises. However, the complexity and uncertainty of the international environment continued to rise, domestic effective demand remained insufficient, and the recovery foundation of industrial enterprise performance still needed consolidation.

Facing the complex and ever-changing external environment, the bulk commodity supply chain industry encountered several challenges in the first half of the year: First, influenced by expectations of Federal Reserve rate cuts, the prices of certain bulk commodities with strong financial attributes increased, leading to a divergence between liquidity factors and supply-demand fundamentals, thereby complicating commodity price management; second, due to insufficient domestic effective demand, procurement needs from some downstream industrial enterprises remained sluggish; third, continued profit declines in certain industries increased the difficulty of managing customer credit in the supply chain, affecting the expansion of business scale.

Leading bulk commodity supply chain enterprises have responded to industry challenges by adjusting their product mix to counteract industry cycles, expanding their international customer base to explore incremental markets, optimizing their customer structures, and diversifying upstream and downstream channels.

Looking ahead to the second half of the year, the Central Committee of the Communist Party of China has proposed "to accelerate the implementation of the determined policies, to reserve early and launch a batch of incremental policy measures in a timely manner." With subsequent measures to stabilize growth being intensified, the recovery foundation for industrial enterprise performance is expected to continue to consolidate, bulk raw material procurement demand is anticipated to further release, and customer credit risks are expected to gradually decrease. The bulk commodity supply chain industry is poised for marginal improvements in demand and profits.

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 resources, services, 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 growth. 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 2023³. This growth highlighted a significant leader effect, with market concentration continuing to rise.

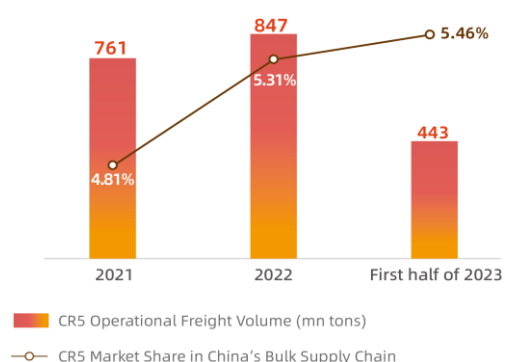


Figure 1: CR5 Operational Volume & Market Share in China's Bulk Supply Chain

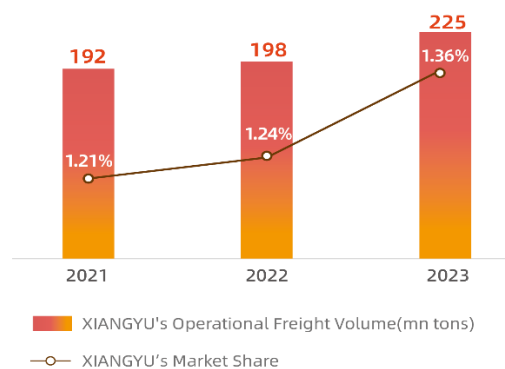


Figure 2: XIANGYU's Operational Volumes & Market Share in China's Bulk Supply Chain

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

As the domestic economy shifts from high-speed growth to high-quality development, manufacturers are increasingly demanding for 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 operations between the entire upstream and downstream 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

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.

³ Due to the fact that certain companies have not disclosed their 2023 operating volume data, it is currently impossible to calculate the CR5 market share for the bulk supply chain in China for 2023.

allocation and networked logistics services, to enhance customer loyalty, and furthermore to consolidate their market position across the industry chain.

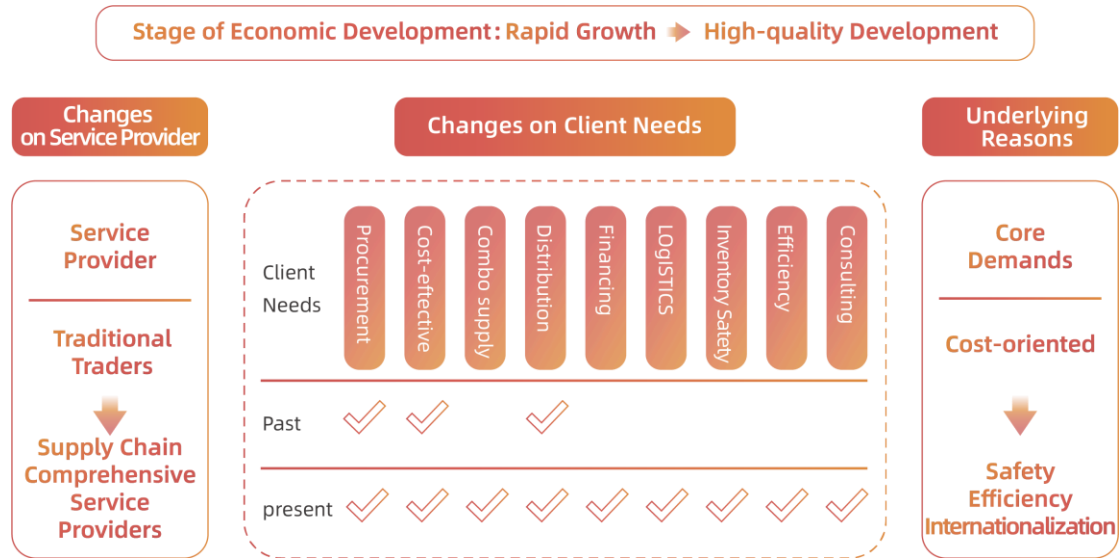


Figure 3: Changes in Customer Demand and the Evolution of Service Providers

(3) Deepening “Belt and Road” Initiative Expands Chinese Companies’ Global Reach in Supply Chains 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.

II. Business Analysis During the Reporting Period

The Company is engaged bulk supply chain services, with manufacturing enterprises as its core customers. It provides comprehensive supply chain services such as procurement of bulk raw and auxiliary materials, product distribution, logistics and distribution, supply chain finance, and information consulting, etc. 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: ① strong liquidity and easy monetization; ② high standardization and easy storage; ③ large demand, long industrial chain, and ability 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, oil, coal, 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, we diligently focus on important niche categories to establish scale advantages. These compounded initiatives forge our ability to provide a comprehensive package of bulk supply.

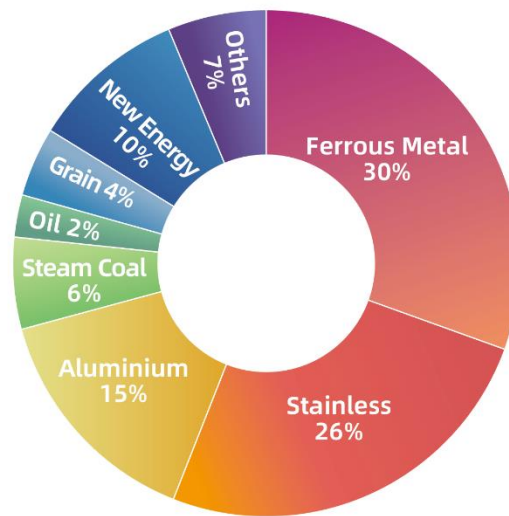


Figure 4: Breakdown of Combined Futures and Spot Gross Profit in the first half of 2024

2. Customer Structure

The Company targets manufacturing enterprise clients and continuously optimizes its customer structure. In the first half of 2024, manufacturing enterprise customers have continuously contributed more than 60% of our commodity business. Notably, the proportion of manufacturing enterprise customers in the new energy supply chain is above 80%, and this figure is above 70% in the ferrous metal and aluminum supply chain, and above 60% in the stainless steel supply chain, the coal supply chain, and the raw grain supply chain.

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.

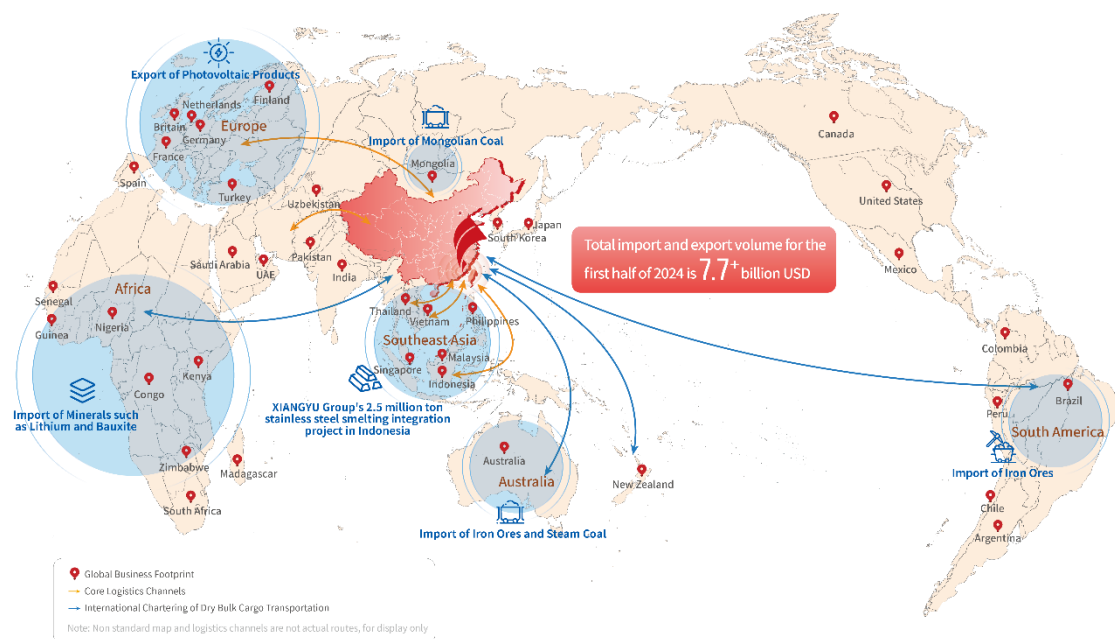


Figure 5: Company’s Global Business Footprints

4. Operating 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

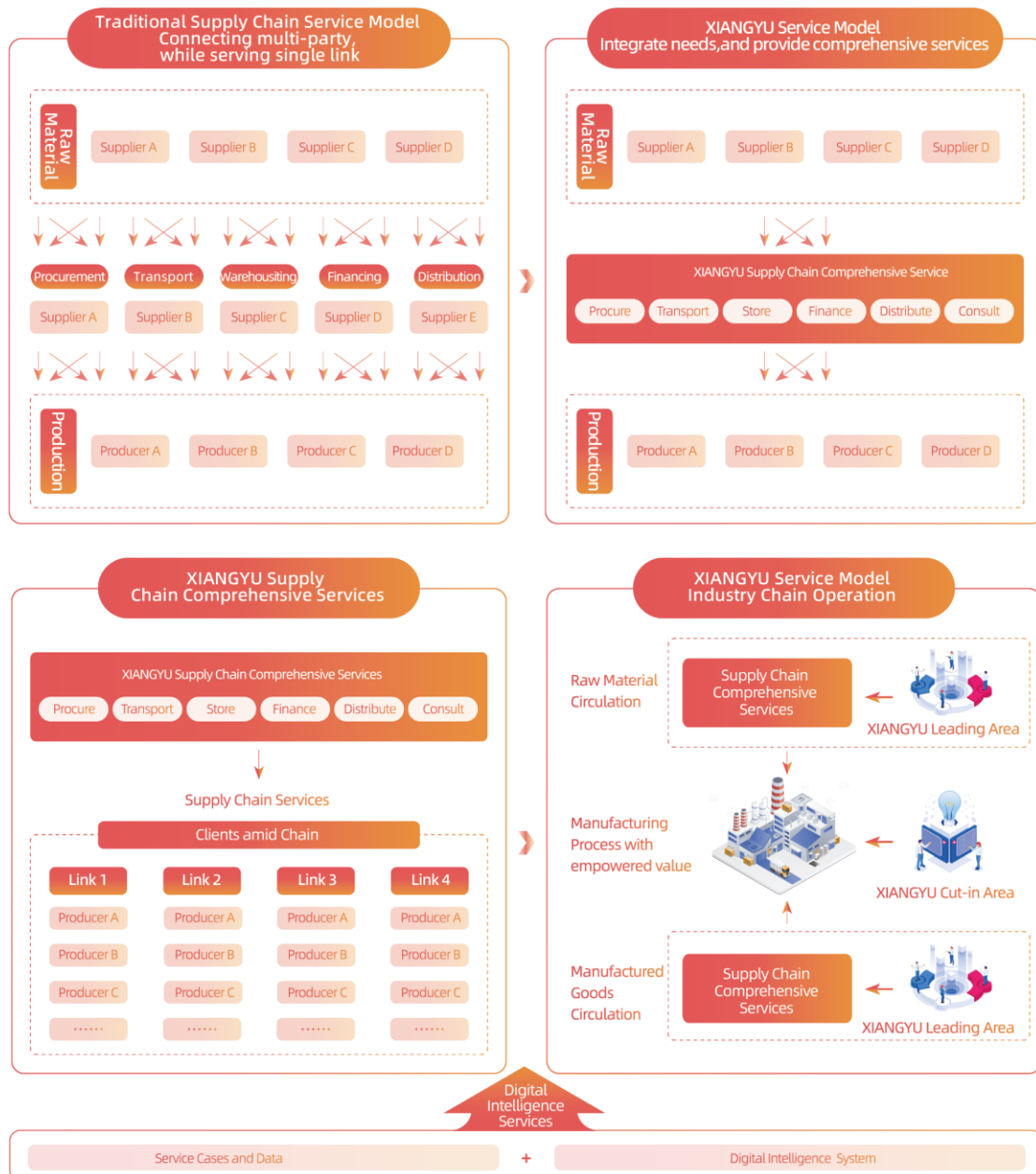


Figure 6: the Company's Operating Model

5. Profit Mode

The Company prioritizes service revenue 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

Type 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

Type of Profit		Interpretation
		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.

III. 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 boasts a team of specialized, market-oriented, and internationally experienced logistics service professionals. The Company has taken the lead in constructing a 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 creating 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 industry clients and also serves as an important cornerstone for the Company’s cargo rights control and business digital transformation.

During the reporting period, the company was awarded the second place among the top 50 logistics enterprises in China in 2024, the second place among the top 100 national general warehousing enterprises in 2023, and an advanced unit in the construction of China's digital warehousing standard system in 2023.

Table 2: Logistics Resources and Capabilities

Category	Resources Capacity
Railway	The Company operates 11 railway cargo stations (10 self-owned, 1 managed), 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 over 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 self-owned transport vehicles and integrates more than 130k 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 10 million tons.
Warehousing	The top 7 grain procurement platforms boast a combined storage capacity of over 13 million tons, accompanied by the presence of 9 dedicated railway lines. The Company’s 50 warehouses (self-owned or leased) cover an expansive area of approximately 1.7 million square meters. Furthermore, there are 8 yards, with a cumulative expanse surpassing 500k square meters. Additionally, it has 18 qualification licenses for futures delivery warehouses, with a total capacity of around 1 million tons.
International logistics	By leveraging global capabilities in bulk and break-bulk international chartering and international rail logistics corridors, the Company are establishing the China-Indonesia logistics corridor, the China-Vietnam& Thailand logistics corridor, and the China-Europe bi-directional transportation corridor, etc. Through these channels, we aim to enhance our international multi-modal transportation capabilities and strengthen our overseas localized logistics services.

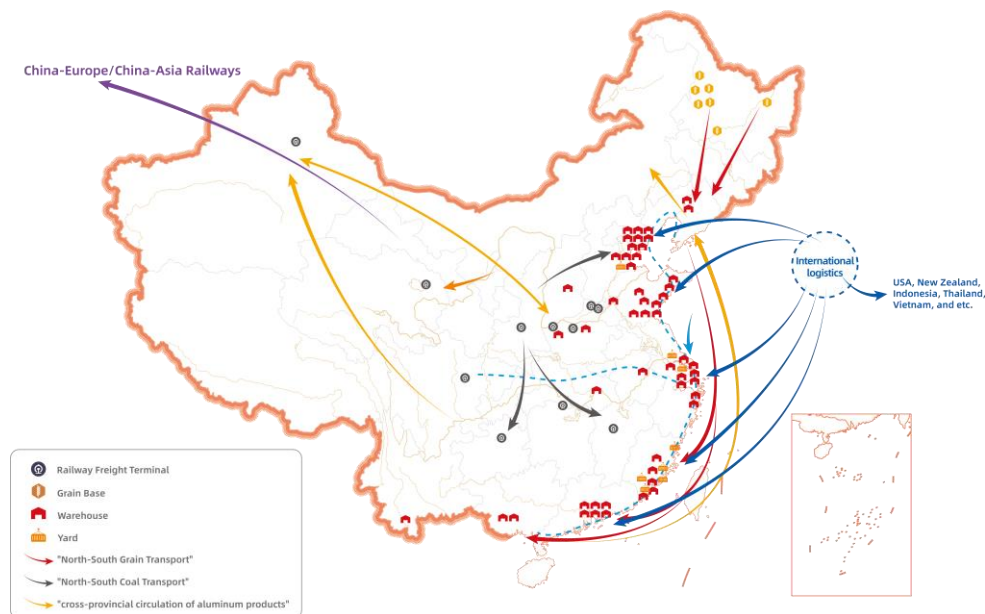


Figure 7: Company's Nationwide and International Networked Logistics Service Ecosystem

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. Based on its smart logistics system, the Company continuously improves its data-driven service system, integrates internal and external transport resources, effectively aligns funding sources with customer needs, enhances service efficiency for clients, and supports business development.

Furthermore, by establishing an integrated support system that encompasses modules like financial control, human resources management, customer relations, risk management, and equipment & asset management, it offers comprehensive support for business operations. Through enterprise management analysis systems, customer analysis, and big data operation systems, it extracts and analyzes extensive business data to support business decision-making.

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 cyclicity.

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 risk management (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 construction of pre-control management systems, in-process management, post-event review, and system optimization and strengthens the mutual empowerment between industry research and operational management. Identified major risks are mapped, categorized, and managed through a hierarchical and stratified approach, implementing classification, layering, and grading management.

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 barriers 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 the Group Headquarters Research Institute, the Industry Research Department of the Corporation, and Research Departments within front-line operating entities. It has a dedicated research team with an international perspective that conducts research across multiple dimensions, including macroeconomic trends, industry, products, business development, and risk management. This team continuously iterates research methodologies across various industrial chains. The Company has also successfully built comprehensive supply chain databases covering operations, finance, logistics, risk management, and human resources, thereby accumulating extensive data. Meanwhile, it enhances the collaboration and synergistic effects between industry research and operational management, supporting the Company's high-quality development.

6. Specialized Supply Chain Service Team

The Company places a strong emphasis on talent development and team building, assembling a market-driven, specialized, and globally oriented supply chain service team that is capable of designing 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. Its services now cover multiple regions, including Southeast Asia, Africa, Europe, and the Americas. Additionally, the Company's team management and performance evaluation mechanisms are highly market-oriented, continuously innovating incentive schemes to fully engage and motivate core management personnel and frontline business teams.

IV. Management Discussion and Analysis of Business Operation

1. Key Operating Results and Business Data for the first half of 2024

(1) Key Operating Results

In the first half of 2024, China's economic performance remained generally stable with some progress, meanwhile, the adverse impacts from changes in the external environment have increased. Downstream manufacturing clients still exhibit weak procurement demand, and commodity prices are under pressure. The Company faced market changes when its sensitivity to industry development trends, flexibility in strategy adjustments, and proactive risk management for clients remained insufficient. During the reporting period, the Company achieved operating revenue of RMB 203.5 billion, a year-on-year decrease of 12.87%; net profit attributable to shareholders was RMB 779 million, a year-on-year decrease of 12.60%.

The company has always adhered to the strategies of platformization, internationalization and digital intelligence. It conducts strategic reviews according to market changes and flexibly adjusts business strategies. By strengthening position management, adhering to "taking small steps but moving quickly", controlling low-efficiency and high-risk businesses, and screening high-risk business partners, the company's business strategy correction has achieved phased results and further stabilized the business fundamentals. During the reporting period, the company's market advantages in segmented categories such as aluminum, Mongolian coal, and new energy have been further consolidated, and the overall business volume has remained above 100 million tons. The agricultural product supply chain has reversed the downward trend in profitability and achieved a positive Combined Futures and Spot gross profit. In the shipbuilding sector, the ship delivery and production volume and

the amount of orders on hand at the end of the reporting period have reached historical highs, contributing continuous and stable profits to the company.

Since 2023, the company's operating performance has been impacted. However, the business model centered on serving manufacturing customers has demonstrated strong self-repair ability and development resilience. With the strengthening of government macro-control efforts and a more stable and positive operation of the macro economy, by continuously optimizing commodity portfolios, customer structures and business structures and strengthening risk control, the company is confident that it can break through development bottlenecks, stabilize the business fundamentals and return to the path of high-quality development amid fluctuations in the industrial cycle.

(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 Changes
Bulk Commodity Trading	101.46	-0.58%	193.1	-14.11%	3.03	-7.94%	1.57%	Increase by 0.11 percentage points
Including: Metallic Minerals	64.67	6.43%	123.2	-16.83%	2.25	-9.21%	1.83%	Increase by 0.15 percentage points
Agricultural Products	5.67	-30.10%	19.4	-26.72%	0.15	Not applicable	0.78%	Not applicable
Energy and Chemical	30.86	-6.55%	44.4	9.84%	0.30	-50.25%	0.68%	Decrease by 0.82 percentage points
New Energy	0.25	71.61%	5.8	-39.02%	0.30	4.97%	5.23%	Increase by 2.19 percentage points

Note: 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.

In the metallic minerals supply chain sector, the company has consolidated the advantages of Mongolian coal imports and strengthened overseas business cooperation in steel, expanded overseas bauxite and ferrochrome resources, the operating volume of international business has increased year-on-year. Due to weakened downstream demand for stainless steel and downward trend of ferrous metals, both operating revenue and the gross profit from futures and spot transactions have decreased year-on-year.

In the agricultural product supply chain sector, by proactively adjusting business strategies, enhancing flow management and rolling warehouse operations, and controlling inventory exposure, the turnover efficiency has increased year-on-year, and the gross profit has turned into a profit.

In the energy and chemical supply chain sector, weak demand and price pressure in the coal industry chain have led to a year-on-year decrease in both operating volume and profitability. However, operating revenue has increased year-on-year, driven by significant growth in the international business such as Singapore's territorial bunker fuel business.

In the new energy supply chain sector, the Company has focused on developing channels for lithium resources in Australia, America, Africa, and Jiangxi, China, and establishing overseas channels for nickel-cobalt salts. This resulted in significant year-on-year growth in operating volume and profitability. However, due to the downward trend of the commodity prices, operating income has declined year-on-year.

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
Bulk Commodity Logistics	4,256	24.39%	354	-8.72%	8.32%	Decrease by 3.02 percentage points
Including: Integrated Logistics	2,957	6.75%	268	-0.58%	9.05%	Increase by 0.67 percentage points
Agricultural Product Logistics	101	-32.30%	50	-44.16%	49.59%	Decrease by 10.53 percentage points
Railway Logistics	1,198	138.37%	36	25.07%	3.04%	Decrease by 2.75 percentage points

Note: 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 includes international routes, trains, inland water transportation, road transportation, and domestic and overseas warehousing, while agricultural logistics mainly includes grain national and provincial storage services.

In the integrated logistics sector, the Company continuously has optimized the layout of warehousing resources, improved the futures delivery warehouse system, and extended the logistics service chain. The inbound and outbound volume and inventory of warehousing business have increased by 25% year-on-year. At the same time, the company promotes the improvement of the operation of the China-Indonesia logistics corridor and create high-quality international block train routes.

In the agricultural products logistics sector, the business volume of provincial reserves, temporary reserves, and futures delivery has increased, but the business volume of national reserves has decreased, and the operating income and gross profit have decreased year-on-year.

In the railway logistics sector, the Company has focused on large industrial customers, deeply cultivated the business of transporting coal from Xinjiang, optimized the transfer route of self-provided containers. The business volume of transporting coal from Xinjiang has increased by more than 150% year-on-year, and the logistics business volume of multiple categories such as aluminum products and lithium products has increased. The total business volume has increased by more than 35% year-on-year, driving the increase of operating income and gross profit year-on-year. Affected by the container leasing business, the gross profit margin has decreased year-on-year.

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 revenue levels and mitigate the impact of cyclical fluctuations in the industry. The operating results in the production and 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	5,664	28.03%	718	106.02%	12.68%	Increase by 4.80 percentage points

Category	Operating Revenue		Gross Profit		Gross Profit Margin	
	Amount	YOY	Amount	YOY	Value	YOY
Including: Shipbuilding	3,359	73.48%	611	98.61%	18.19%	Increase by 2.30 percentage points

Note: The Company's manufacturing segment includes shipbuilding, beneficiation and oil processing , of which the shipbuilding business is operated by the Company's subsidiary, Xiangyu Shipbuilding & Offshore Engineering, of which the company's shareholding has increased from 36% to 51% as of the date of issuance of this report.

In the shipbuilding sector, the Company has leveraged the favorable ship market cycle. On the one hand, the company enriches its product structure. While consolidating its market position in advantageous bulk carrier models, it has received orders for 16 stainless steel chemical tankers. At the end of the reporting period, the order book reached 81 ships. On the other hand, it improves the level of lean production, saves production costs, and shortens the shipbuilding cycle. In the first half of the year, the ship delivery and production volume reached a historical high. In August 2024, the company acquired the core assets of Jiangsu Hongqiang Ship Heavy Industry Co., Ltd. through judicial auction. Once in full production, the annual production capacity of the shipbuilding sector is expected to increase by 60%.

2. Key Initiatives and Accomplishments for the first half of 2024

(1) Optimizing Business Strategies and Solidifying the Operational Foundation

In response to the complex and intricate market environment, the Company has promptly optimized its business strategies and adjusted its business model to solidify its operational foundation. First, it has enhanced traffic flow and rolling warehouse operations, using a “Small steps, Big Gains” approach to reduce risk exposure and improve turnover efficiency. Second, the Company has strengthened business reviews, controlled inefficient and high-risk operations, adjusted its product mix, optimized its customer base, and maintained a manufacturing industry customer share of over 60%. Third, the Company has explored new growth drivers by improving internal coordination, nurturing new teams, and developing new product categories and markets, which has led to successful expansion in steel and aluminum exports, iron ore and soybean imports businesses.

(2) Linking Trade and Logistics for Global Expansion: Enhancing Comprehensive Service Capabilities

In the first half of 2024, the company achieved a total import and export volume of 7.753 billion U.S. dollars. Benefiting from the continuous enhancement of the international order-taking ability of the shipbuilding sector (12 exported ships) and the growth in exports of steel, aluminum and other categories, the company achieved a total

export volume of 1.466 billion U.S. dollars, an increase of 33.27% year-on-year. Affected by fluctuations in the international political and economic environment and the “inverted” import prices of coal, iron ore and other commodities, the company's import business scale decreased year-on-year.

At the same time, the company accelerates the construction of international logistics channels, expands nearly 100 new overseas logistics suppliers, and continuously enhances the international logistics capabilities in regions such as Southeast Asia, Africa, and the Eurasian Continental Bridge. During the reporting period, the business volume of the China-Indonesia logistics channel increased by more than 45% year-on-year, and the combined business volume of the China-Vietnam and China-Thailand logistics channels increased by more than 10% year-on-year.

(3) Integrating Internal and External Resources: Upgrading with Digital Intelligence Empowerment

First, the digital intelligence service system has been improved by continuously integrating internal and external resources to develop industrial clients and enhance the efficiency of matching and cooperation between fund providers and customer demands. Additionally, socialized freight and water transportation resources have been utilized to increase the operational capacity and strengthen cargo ownership control.

Second, the digital intelligence management system has been upgraded, resulting in a 35% increase in smart logistics picking efficiency. The operational efficiency of online processes such as order pickup, confirmation, and invoice acquisition for clients has improved by 20-40%.

(4) Strengthening Customer Management and Consolidating Risk Control Loops

In the first half of 2024, the Company re-evaluated risk control elements such as customer credit, business models, and trade sanctions. It optimized the management of the customer lifecycle and strengthened the synergy between industry research and risk control to consolidate the risk control loop.

3. Key Business Plans for the second half of 2024

In the second half of 2024, despite ongoing uncertainties in industry development, intensified macroeconomic policy adjustments, supply-side reforms, and improving economic conditions will boost long-term growth momentum. This will highlight the favorable factors for economic development. The Company will proceed with renewed confidence and determination, focusing on the following key priorities:

International Expansion: We will consolidate our international business advantages in regions such as Southeast Asia, Africa and South America, strengthen the coordinated development of international logistics capabilities and commodity management, accelerate the construction of international logistics channels between China and Africa and the acquisition of African mineral resources, and enhance our global supply chain integration services. We will also consolidate and enhance the international advantages of industrial chains such as aluminum, stainless steel, Mongolian coal, and new energy, and intensify the international expansion of industrial chains such as steel, and agricultural products.

Digitalization: We will strengthen the mutual empowerment and coordinated development of digital and intelligent service systems with commodity management and logistics services. Through digital and intelligent management systems, we will further improve the efficiency of upstream and downstream business collaboration.

Agricultural Product Sector: We will continue to focus on flow management and rolling warehouse operations, reduce inventory exposure, expand our service-oriented businesses, and enhance our ability to stabilize growth.

Manufacturing Sector: We will seize the prosperous cycle of the ship market, improve production capacity and lean management level, and increase research and development and expansion efforts for the second main ship type.

Risk Management: We will strengthen the credit risk control of business partners, closely monitor customer dynamics, and improve forward prediction and management capabilities. Sort out and control high-risk businesses, strengthen hierarchical and classified management of businesses, and further optimize business structure and operation mode. Cooperate with the controlling shareholder to complete the transfer procedures of the creditor's rights of Jiangsu Delong as soon as possible.

Xiamen Xiangyu Co., Ltd.
August 28th, 2024