

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 C .

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

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

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 supply chain development, and the enduring rich cultural heritage. Firmly planted in the fertile soil, 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

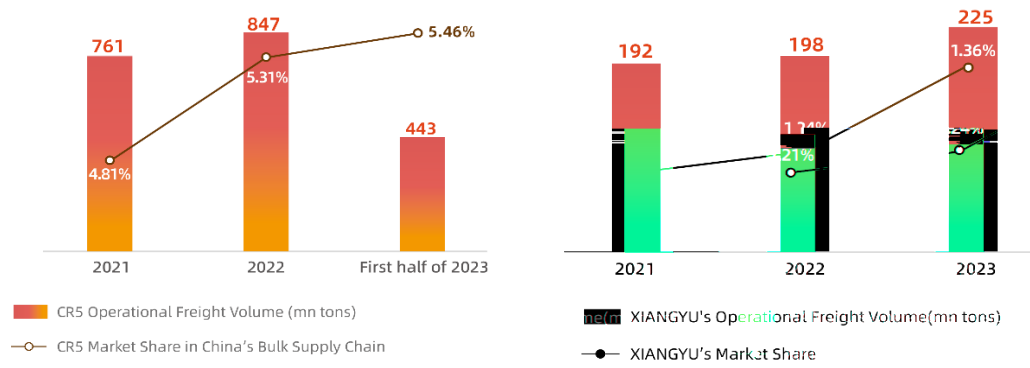
I. Key Accounting Data and Financial Indicators

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 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,



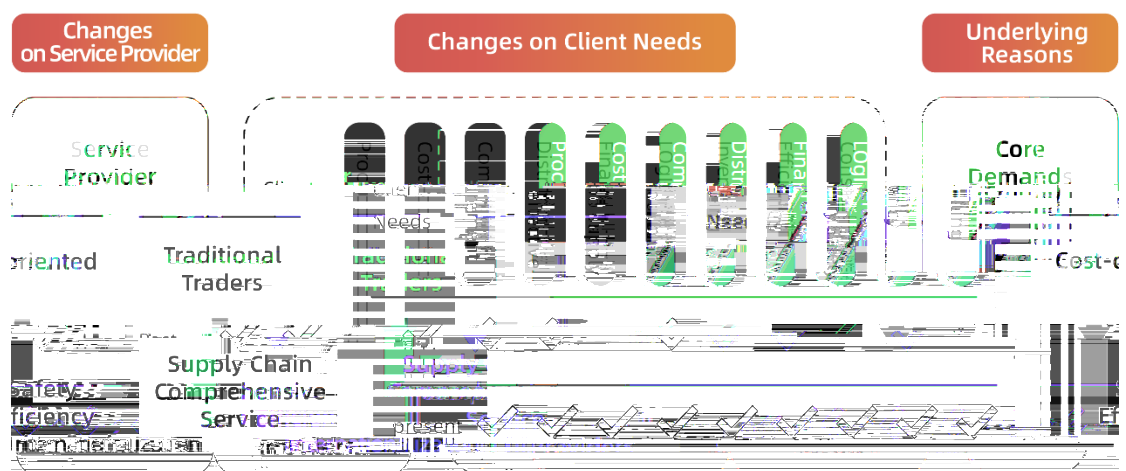
(2) Evolving Customer Needs Propel Iteration of Supply Chain Service Models:

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

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.

Stage of Economic Development: Rapid Growth ➔ High-quality Development



(3)

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

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

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 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

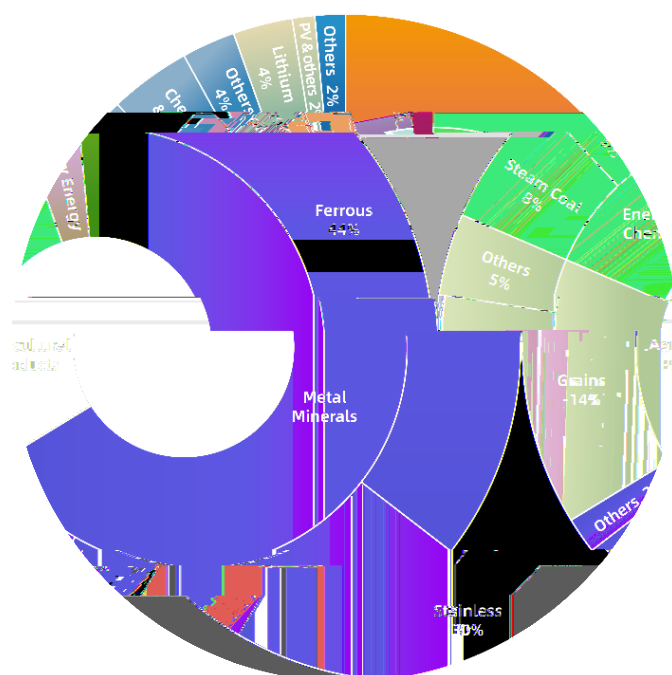
The Company specializes in bulk supply chain services, targeting manufacturing enterprises as the core customers. By offering comprehensive services, which include procurement and sales of bulk raw and auxiliary materials, distribution of finished products, logistics and distribution, supply chain finance,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

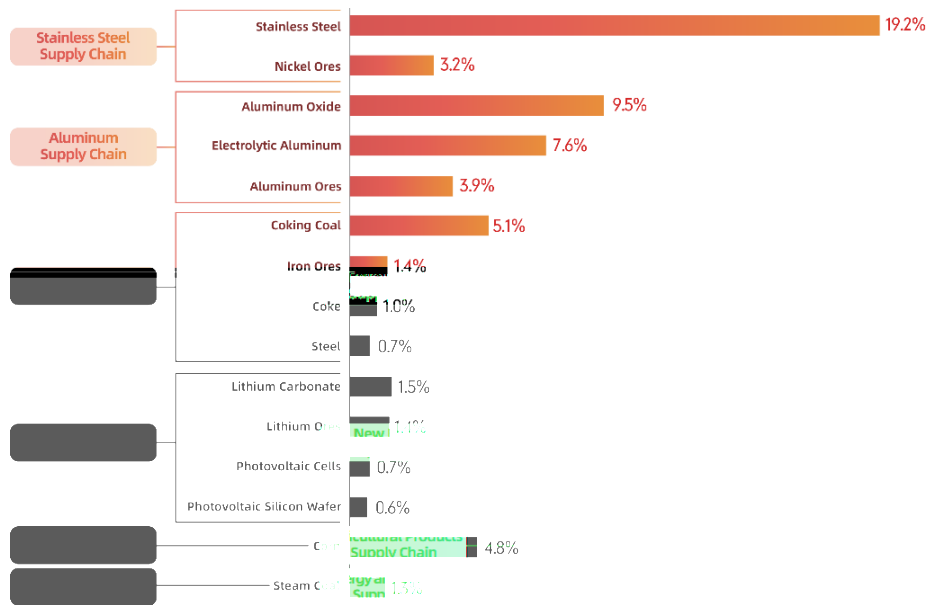
1. Product Combination

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

aluminum, stainless steel, new energy, coal, oil

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.





a.

b.

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.

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.



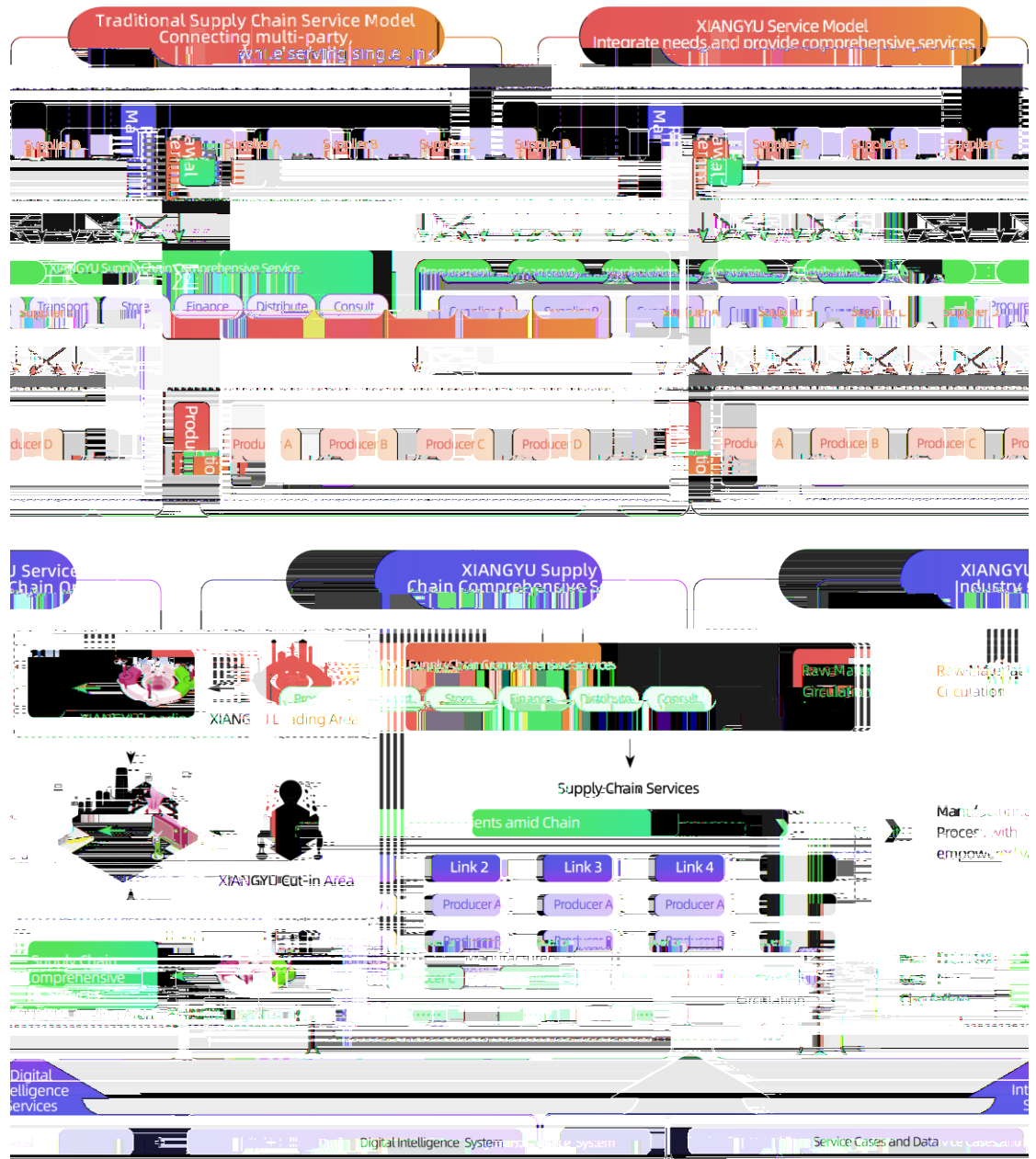
4. Business Mode

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 upstream and downstream along the industry chain, -industry Chain Service Mod

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- we achieve regional warehouse cross-region distribution and logistics integration and deliver customized supply chain solutions.



5. Profit Mode

The Company prioritizes service and scale-driven profitability, and also capitalizes on price differentials to generate profits.

the table below.

. 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

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 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 form -province Circulation of Aluminum

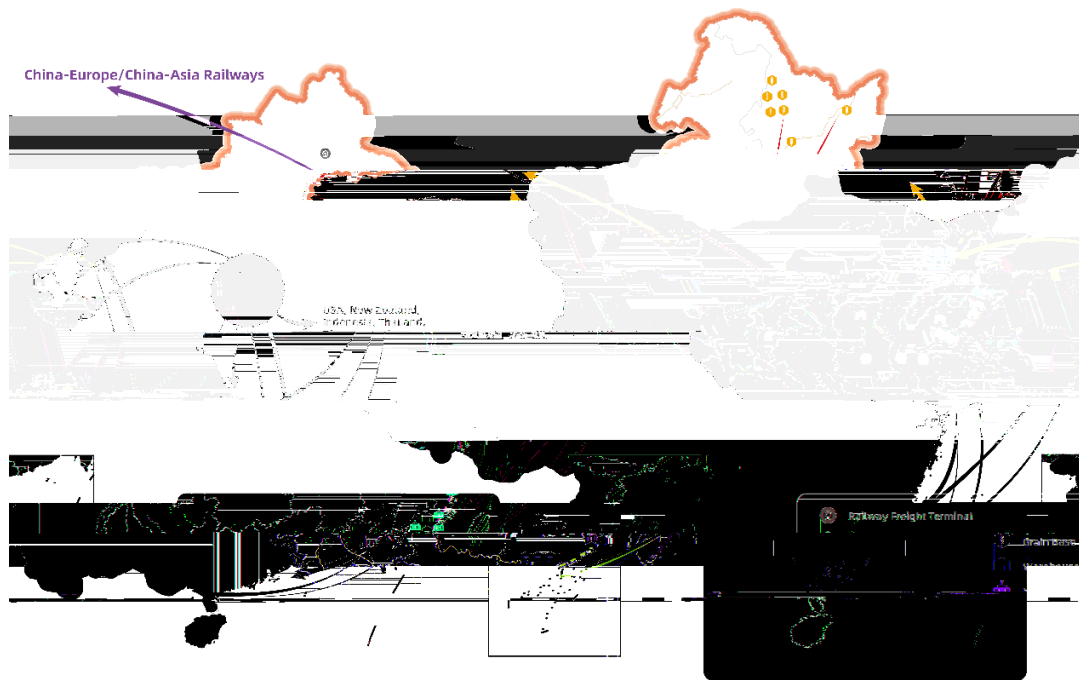
-to-

-to-East Coal Transportation,

-to-

The networked logistics service system is one of the core capabilities of the Company in serving manufacturing enterprise rights control and business digital transformation.

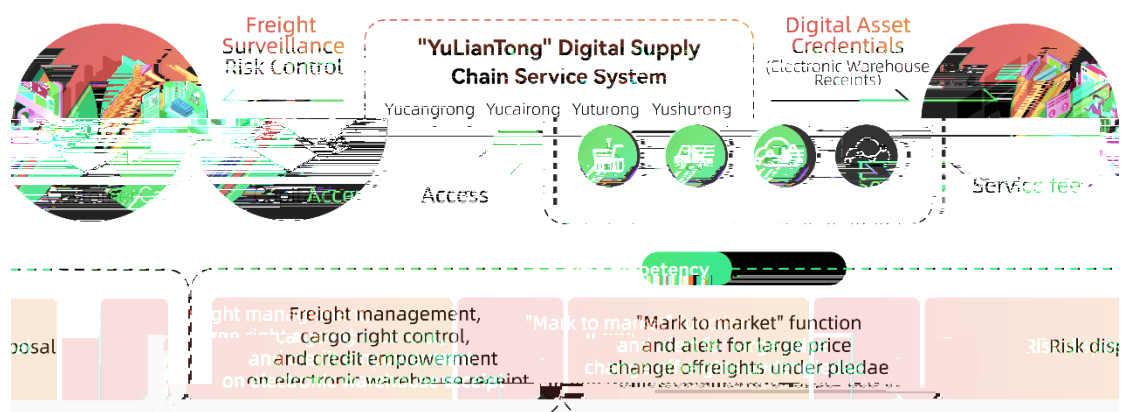
Category	Resources Capacity
Railway	
Highway	
Waterway	
Warehousing	
International logistics	



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 , 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.



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. Compensation 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 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

Unit: billion, RMB

a.

b.

c.

②

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:

a.

Xiangyu Agricultural Products

b.

c.

③

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:

a.

b.

2. Key Initiatives and Accomplishments for 2023

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

In terms of the metal mineral supply chain, the Company has deeply ploughed into the services for -steel smelting and refining project in Indonesia, with a

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

In the oil processing segment, the Dalian Plant Protein Project has been signed, further refining the 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

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 financial supply chain service system, thereby enriching its product portfolio with newly launched special credit amounting to 10.6 billion RMB for its clients, with their annual credit utilization exceeding 2.7 billion RMB. The system

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,

1.12

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.

-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

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

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 improve our supply chain service system. We will launch a B2B e-commerce 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 agricultural products, 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:

we plan to promote model transformation and optimize our risk management framework.