

Code: 603713

Short Name: Milkyway

Milkyway Chemical Supply Chain Service Co.,Ltd
2021 annual report summary



2022.03.25

Chapter 1 Notice

1 The summary is on basis of the full text of the annual report. In order to fully understand the operating results, financial position and future development plan of the company, investors are encouraged to read the full text of the annual report on www.sse.com.cn.

2 The board of directors, the board of supervisors as well as the directors, supervisors and senior managers of the Company guarantee the authenticity, accuracy and completeness of the contents of the annual report, free from false records, misleading statements or major omissions, and bear individual and joint legal liabilities.

3 All directors of the company attend the board meeting.

4 Baker Tilly China Certified Public Accountants (special general partnership) issued the standard unqualified opinion audit report for the company.

5 Profit distribution plan or reserve fund to increase capital stock plan adopted by resolution of the board of directors during the reporting period.

Chapter 2 Company general information

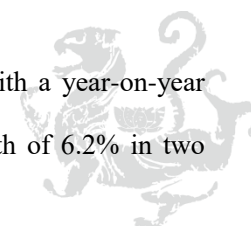
1. Company profile

Company stock profile				
Class	Stock exchange	Shor name of stock	Code	Previous record
Renminbi ordinary shares A shares	Shanghai Stock Exchange	Milkyway	603713	None

Contacts	Board Secretary	Securities affairs representative
Name	Miao Leiming	Rao Yingying
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2. Overview of business during the reporting period

In 2021, the market of logistics in China reached 335.2 trillion yuan, with a year-on-year growth of 9.2% calculated at comparable prices and an average annual growth of 6.2% in two



years. The growth rate returned to the average level of normal years. The structure of logistics demand changes synchronously with the adjustment of economic structure and industrial upgrading. Overall, there was industrial logistics made steady progress, international import logistics encountered considerable downward pressure, and consumption logistics obtained steady growth. Industrial upgrading created increasing number of high-tech manufacturing logistics demand, which presented a growing trend and leading effect. According to hazardous Chemical Logistics Branch of China Federation of Logistics and Purchasing, the market of the national chemical logistics industry will exceed 2 trillion yuan by the end of 2021, and the third-party chemical logistics take 40%, meaning 800 billion yuan.

Since the explosion of Wenling tank truck and the Lebanese port incident on June 13, 2020, the government has further strictly controlled and supervised the safe operation of dangerous goods. The market was highly tightening and strictly controlled. In July 2020, the Office of the Security Commission of The State Council held a meeting, which assigned safety improvement task to chemical parks and hazardous chemical enterprises, and initiated the special rectification work of illegal "small chemical industry". From July 1 to December 31, local public security and traffic control departments carried out a series of traffic safety special rectification actions of hazardous chemicals transport. In September 2020, the Security and Commission Office of The State Council deployed the third round of special investigations on dangerous chemical safety risks and hidden dangers. At the same time of the steady development of industry supervision, and the market is moving towards the clean-up stage of compliance. While steadily pushing the industry supervision, security control is put in the first place and the market is moving towards the compliance cleaning stage.

On September 22, 2020, at the seventy-fifth Session of the United Nations General Assembly, the Chinese government proposed that "China will enhance its national contribution, adopt more effective policies and measures, strive for the peak of carbon dioxide emissions by 2030, and achieve carbon neutrality by 2060." On March 5, 2021, in the 2021 Government work report of The State Council, Premier Li Keqiang emphasized the solid efforts to peak carbon emissions and neutralize, carbon emissions, formulation of action plan to peak carbon emissions by 2030, and optimization of industrial structure and energy structure. The promotion of carbon neutrality, as another development requirement of environmental protection, will accelerate the adjustment of

transportation structure in chemical logistics industry from road to rail and water, and promote the development of multimodal transportation. At the same time, this transformation will introduce the logistics demand related to LNG, new energy and other clean energy, and brings the development opportunities for hazardous waste discharge and disposal related fields of chemical enterprises.

China's initiative to jointly build the Silk Road Economic Belt and the 21st Century Maritime Silk Road (hereinafter referred to as the Belt and Road) has attracted great attention from the international community and received positive response from many countries. The Belt and Road initiative aims to enhance coordination of economy and policy among countries, improve connectivity, and carry out bilateral, multilateral and close cooperations with high quality in a larger scope. It will enable countries to achieve shared benefits through consultation and collaboration and jointly build a new system of global economic governance. The proposal and implementation of the "Belt and Road" will promote the trade of chemicals in the countries along the "Belt and Road", thus bringing broad development space to the global chemical logistics industry.

As the safety and environmental supervision requirements becoming stricter, which pushes downstream chemical enterprises moving from the city into industrial park, chemical enterprises are increasingly demanding for the specialization and safety of logistics. Comprehensive chemical enterprises prefer to choose professional third-party logistics service providers. At the same time, small and non-standard chemical enterprises were gradually phased out by the supervision and operating pressure. The industry concentration is expected to improve rapidly.

2.1 Business Scope

Milkyway is a leading chemical supply chain service provider in China, which provides one-stop integrated logistics services with freight forwarding, warehousing and transportation as its core business. It has gradually extended to chemical distribution based on integrated logistics services to provide integrated chemical goods and trade services. Its service modules are developing collaboratively to meet the diversified online and offline needs of customers from different industries and regions. Since its establishment, Milkyway has engaged in its main business and is committed to providing customers with one-stop chemical supply chain solutions

worldwide.

□ **One-stop integrated logistics service**

The one-stop integrated logistics service covers whole-process logistics services from the client to the customer. According to business entrustment from chemical industry customers, Milkyway picks up goods from domestic and overseas consignors, organizes domestic and international transportation to deliver goods to locations designated by domestic and overseas consignees. Milkyway ensures high efficiency and security for the flow of goods, information and capital in the logistics chain.

● **Global forwarding business (MGF)**

Milkyway provides one-stop transportation service (by sea, air or rail) for general dangerous goods worldwide. Our freight forwarding business covers a series of activities related to international transportation, including traditional import and export cargo collection, booking, consignment, warehousing, packaging, loading/unloading, transit, distribution, submission and declaration for inspection, and cargo insurance, as well as international multimodal transportation, third-party logistics, contract logistics and other emerging businesses.

● **Global shipping and tank container (MTT)**

Milkyway provides diversified and flexible leasing and transportation services for domestic and foreign trade through various types of tank containers; self-built tank yard network provides professional 24-hour container tank technical services, including tank storage, cleaning, heating, repair, and modification, technical support, etc.; provide transportation and supporting logistics solutions for LNG tank containers and special chemical tankers.

● **Global engineering logistics and dry bulk (MPC)**

Global engineering logistics, which integrates various transportation modes, specializes in delivering professional logistics services for large-scale general contracting projects, and providing customized integrated logistics solutions from factory to site, with service covering fields like oil and gas, petrochemicals, renewable energy, nuclear power, infrastructure,

engineering and plant construction, mining and metallurgy. Based on a global network of vessel resources, the dry bulk service offers stable, flexible and diverse customized shipping solutions for global trade in bulk commodities such as coal, ore, grain and fertilizer.

- **Regional warehousing and distribution integration (MRW)**

Milkyway operated 550,000 sq.m of professional chemical warehouses, providing customers with chemical storage, inventory management and operation, as well as value-added services such as cargo sorting, sub-assembly, packaging change, labeling and palletization. The business mainly consists of two main components, namely, a distribution center providing cargo storage, distribution, and in-plant logistics, and foreign trade warehousing related to export containerization for freight forwarding.

- **Regional domestic trade delivery (MRT)**

Based on its own transport capacity and purchased capacity, Milkyway establishes domestic transportation delivery services for all types of chemical products. According to the special requirements for transportation of different chemical goods, Milkyway provides transportation vehicles with special functions and special loading equipment to meet various purposes. It offers nationwide road transportation of various chemical goods in containers, inbound and outbound services at ports, and multimodal freight forwarding services by domestic waterway, railroad and air transport between domestic ports. It aims to create a three-tier network transportation capacity consisting of intra-city distribution, inter-city express transportation and trunk express transportation. Also, Milkyway provides nationwide chemical contract logistics, reverse logistics, and small express transportation services.

- **Chemical trading service**

- **Unique distribution (MCD)**

Milkyway is leading the digital transformation of global chemical enterprises and aims to build an integrated logistics and trade service system covering all scenarios. For the chemical trading service, Milkyway leverages its rich experience in chemical supply chain operation and networked logistics infrastructure to establish a one-stop integrated logistics service system, with

online services diverting traffic for offline services, and offline services supporting online services. Milkyway matches the procurement and sales demands of upstream and downstream chemical manufacturers and customers, and gradually takes over the sales function of upstream manufacturers and procurement function of downstream manufacturers. This enables it to serve downstream customers and consumers for manufacturers, and provide distribution services and supply chain solutions to chemical industry customers.

2.2 Business Model

Milkyway is committed to becoming the "Super Chemical Amazon", an industrial internet e-commerce platform based on the global professional chemical delivery capabilities, connecting the whole supply chain of logistics, transaction and environmental protection, and providing high-standard supply chain services for global customers. The one-stop whole supply chain service provided by Milkyway helps customers integrate and optimize logistics links, shorten the circulation cycle of goods, improve logistics efficiency, and help customers enhance market competitiveness. With the increase in customer's sales, the demand for one-stop supply chain solutions also increases. Milkyway grows together with customers, and achieve mutual success.

- **MGF/MPC Service Model:**

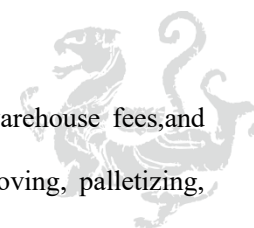
The revenue of MGF/MPC is mainly from freight forwarding agency fees and related warehouse&transportation charge. Profit growth is driven by business volume and the increase of service links. Since the expense of the carrier is included in the cost of the freight forwarding, the revenue and cost of this service model are both high, and the profit margin is relatively lower.

- **MTT Service Model**

The revenue of MTT mainly comes from the rental of ISO tank&chemical vessel,delivery charge, as well as related storage& truck fees. The service is provided only for liquid chemical to reduce unit logistics cost by large scale delivery capacity. High level asset utilization,large volumes driven and VAS will benefit the profit.

- **MRW Service Model**

The revenue of MRW includes storage rent fees, in and out of the warehouse fees, and additional value-added services (sorting, packaging, product compounding, moving, palletizing,



labeling, fumigation and other service fees). The pricing comprehensively considers construction cost, lease cost, market price level, other additional costs, management costs, chemical categories, labor costs and other factors. The increase of goods turnover will effectively enhance revenue and profit.

- MRT Service Model

The pricing of MRT refers to weight, goods category, fuel consumption, personnel, vehicle depreciation cost. Combining with vehicle type, market price level, bridge fees and taxes per car per kilometer (car/km), setting the tiered pricing strategy according to distance.

- MCD Service Model:

The profit of MCD is mainly created by direct sales (centralized procurement and distribution)/indirect sales (dealmaking/shop agent operation) of various kinds of chemical products, supported by competitive prices, professional service, safe one-stop logistics. Including product price difference, consulting service fees, logistics service fees and other value-added services. Through logistics service empowerment, business revenue certainty and profit space can be improved.

3. Main Accounting Data and Financial Indicators

3.1 Main accounting data and financial indicators for the past 3 years

Unit: Yuan Currency: RMB

	FY2021	FY2020	Year-on-year change(%)	FY2019
Total Asset	7,272,525,201.88	3,678,240,679.85	97.72	2,569,123,443.18
Net assets attributable to shareholders of the company	3,152,644,447.94	1,711,372,906.72	84.22	1,434,668,622.92
Revenue	8,644,718,998.17	3,426,952,178.37	152.26	2,418,798,183.45
Net profit attributable to shareholders of the company	431,792,852.98	288,498,851.75	49.67	196,058,708.03
Net profit attributable to shareholders of the company after deducting non-recurring gains and losses	410,867,527.67	272,753,479.27	50.64	188,360,253.38
Net cash inflow from operating activities	202,545,286.29	338,555,756.01	-40.17	212,514,355.26
Weighted average ROE (%)	15.87	18.34	-2.47points	14.62
Basic EPS (Yuan/share)	2.6646	1.8644	42.92	1.2859
Diluted EPS (Yuan/share)	2.6646	1.8644	42.92	1.2859

3.2 Main Accounting data by Quarter

Unit: Yuan Currency: RMB

	Q1 (Jan-Mar)	Q2 (Apr-Jun)	Q3 (Jul-Sep)	Q4 (Oct-Dec)
Revenue	1,443,832,244.63	2,018,109,387.10	2,487,627,934.29	2,695,149,432.15
Net profit attributable to shareholders of the company	77,649,338.89	105,963,144.34	117,831,142.68	130,349,227.06
Net profit attributable to shareholders of the company after deducting non-recurring gains and losses	76,608,616.99	108,621,326.69	101,490,082.34	124,147,501.64
Net cash inflow/(outflow) from operating activities	149,630,083.64	73,727,181.31	-116,961,191.03	96,149,212.37

4. Shareholders Profile

4.1 The total number of shareholders of ordinary shares, preferred stock shareholders whose voting rights were restored and shareholders with special voting rights at the end of the previous month of the reporting period and disclosure date.

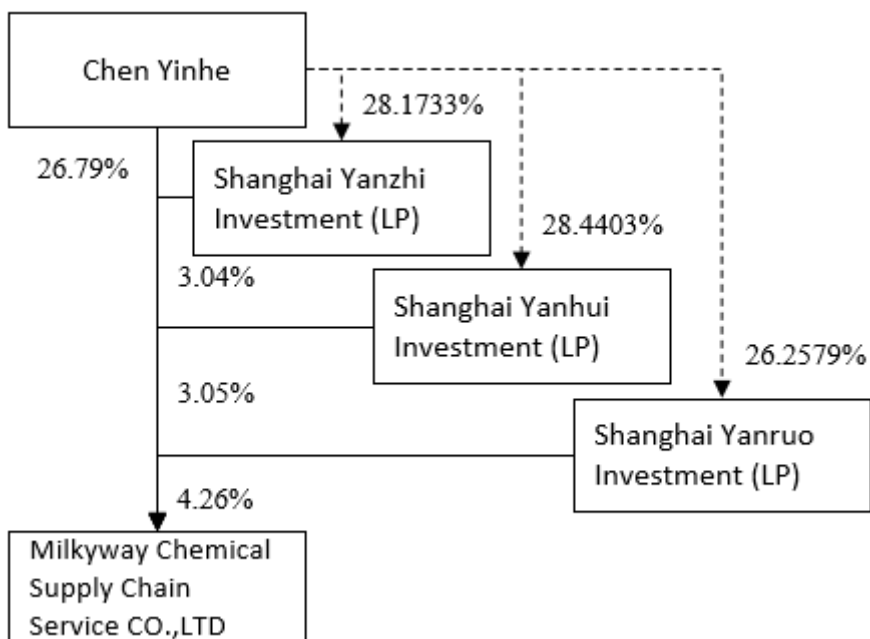
Unit: Share

Total number of shareholders of ordinary shares as at the end of the reporting period	8,541						
Total number of shareholders of ordinary shares at the end of last month prior to the disclosure date of this annual report	7,811						
Total number of shareholders of preferred shares whose voting rights have been restored at the end of the reporting period	Not applicable						
Total number of shareholders of preferred shares whose voting rights have been restored at the end of last month prior to the disclosure date of this annual report	Not applicable						
Top ten shareholders							
Name of shareholder (full name)	Share change during the Reporting Period	Number of shares held at the end of the reporting period	Percent age (%)	Number of restricted shares	Pledged, marked or frozen		Nature of shareholder
					Share status	Number	
Chen Yinhe	40,300	44,073,299	26.79	0	-		Domestic natural person

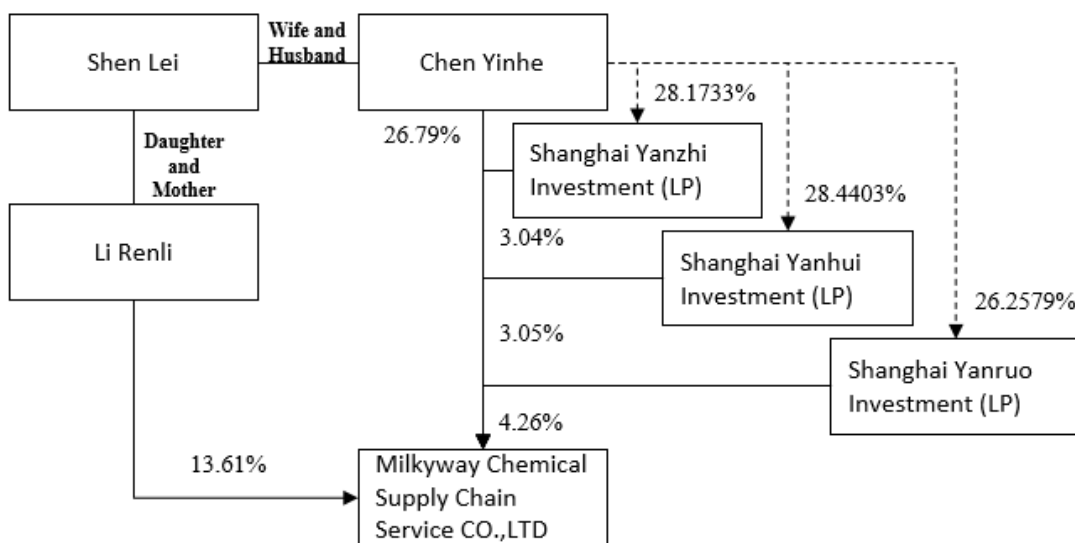
Li Renli	36,000	22,381,009	13.61	0	-	Domestic natural person
Beijing Legend Maolin Investment (LP)	-8,450,273	9,398,996	5.71	0	-	Others
HKEX Group	1,074,490	8,551,673	5.20	0	-	Overseas legal person
Shanghai Yanruo Investment (LP)	-522,960	7,003,922	4.26	0	-	Others
Shanghai Yanhui Investment (LP)	-489,500	5,010,500	3.05	0	-	Others
Shanghai Yanzhi Investment (LP)	-492,417	5,007,583	3.04	0	-	Others
CMB-Penghua Emerging Industry Mixed Stock Investment Fund	-183,517	3,382,872	2.06	0	-	Others
CPIC-Dividend-Individual Dividend	-639,147	3,370,448	2.05	0	-	Others
CUAM-Social Security Fund Portfolio 423	100,000	3,200,000	1.95	0	-	Others
Explanation on the related relations or parties acting in concert among the above shareholders	1. The company's controlling shareholder and beneficial controller Chen Yinhe and Shen Lei are married, shareholder Li Renli and Shen Lei are mother-child relationship, the company identify the three people as beneficial controller, Chen Yinhe and Li Renli are parties acting in concert. 2. Yanji Investment 100% held by Chen Yinhe is GP of Yanruo Investment, Yanhui Investment, Yanzhi Investment, Chen Yinhe is the beneficial controller of the three partnership. 3. Save as the above, the Company is not aware of any related relationship or parties acting in concert among the aforesaid shareholders					
Explanation on the preference shareholders with voting rights restored and numbers of their shareholdings	Not applicable					

4.2 Equity structure chart among the company and the controlling shareholders



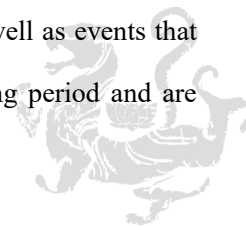


4.3 Equity structure chart among the company and the beneficial controller



Chapter 3 Key figures

The company shall, in accordance with the principle of materiality, disclose the major changes in the company's operating conditions during the reporting period, as well as events that have had a significant impact on the company's operations during the reporting period and are expected to have a significant impact in the future.



In 2021, the international environment is still complex and severe, and the domestic epidemic is frequent and multiple factors are superimposed. The company react actively, continuously improves operation efficiency, accelerates the improvement of response level, and expands market share. Multiple financial indicators have achieved growth. Major operating performance data are as follows:

1. Operating performance:

In 2021, the company's total profit was 527.85 million, a year-on-year increase of 51.06%; the net profit attributable to the company's shareholders was 431.79 million, a year-on-year increase of 49.67%; the weighted average ROE was 15.87%, a year-on-year decrease of 2.47%; The EPS was 2.66 yuan per share, an increase of 0.80 yuan over last year. Details are as follows:

The company achieved a total revenue of 8,644.72 million, a year-on-year increase of 152.26%. This is because in 2021, the company rapidly develops the chemical trading business with the integration of material and trading, expands new areas and new customers. The revenue from trading business reached 3,126.31 million, an increase of 352.59% year-on-year; at the same time, the freight forwarding business developed rapidly, and its revenue reached 3,114.19 million, an increase of 185.40% year-on-year; in addition, the revenue contribution of international engineering logistics, the company's new business segment, was 234.87 million.

The operating cost was 7,757.99 million, a year-on-year increase of 171.80%. The rapid increase in operating income led to the increase in operating cost. The proportion of trading business increased and the average gross profit margin was diluted, so the increase in operating cost was higher than that in operating income.

The sales expenses was 93.61 million, a year-on-year increase of 92.24%. The incremental is mainly due to the increase in sales personnel.

The G&A expenses was 197.62 million, a year-on-year increase of 53.75%. The incremental was mainly due to the increase in personnel.

The financial expenses was 53.72 million, a year-on-year increase of 75.84%, mainly due to the increase in interest expenses.

The R&D expenses was 28.31 million, a year-on-year increase of 10.60%.

2. Financial Performance



At the end of the reporting period, the company's total assets were 7,272.53 million, a year-on-year increase of 97.72%; total liabilities were 4,052.93 million, a year-on-year increase of 113.46%; equity attributable to shareholders of the parent company was 3,152.64 million, a year-on-year increase of 84.22%; asset-liability ratio was 55.73%, increased by 4.11%. The detailed composition of asset and liability is as follows:

□Composition of total assets: □At the end of the reporting period, the balance of current assets was 4,453.64 million, 61.24% of the total assets, mainly including: 2,663.49 million in notes receivable and accounts receivable, 638.16 million in cash and cash equivalents, and 390.64 million in prepayments. □1,367.58 million in Fixed assets and construction in progress, 18.80% of the total assets. Fixed assets and construction in progress increased by 63.78% year-on-year, the incremental is mainly due to the M&A last year and warehouses under construction. □Intangible assets are mainly land use rights. At the end of the reporting period, the balance of intangible assets was 558.89 million, 7.68% of the total assets. Intangible assets increased by 16.42% year on year, the incremental is mainly due to the M&A. □Goodwill mainly refers to the difference between the investment cost and the fair value of the identifiable net assets of the merged enterprise in acquisition. At the end of the reporting period, the goodwill was 610.34 million, an increase of 137.00 million compared to last year.

□Composition of total liabilities: □ Current liabilities was RMB 3,278.72 million, 80.90% of the total liabilities, an increase of 1,689.15 million year-on-year, mainly due to the increase in accounts payable and notes payable, short-term loans and other current liabilities. □Non-current liabilities was 774.21 million, 19.10% of total liabilities, an increase of 465.10 million year-on-year, mainly due to the increase in long-term borrowings, lease liabilities and deferred tax liabilities.

3.Cashflow

The company's cash and cash equivalents balance in 2021 was 631.02 million, an increase of 510.76 million year-on-year. The details are as follows:

□In 2021, the net cash inflow from operating activities was 202.55 million, a year-on-year decrease of 136.01 million, mainly due to the increase in working capital as revenue increased.

□In 2021, the net cash outflow from investment activities was 1,440.35 million, a year-on-year

increase of 1,136.72 million, mainly due to the increase in M&A payments and infrastructure projects.

□In 2021, the net cash inflow from financing activities was 1752.36 million, a year-on-year increase of 1787.00million, mainly due to the increase in cash inflows from non-public issuance of shares.

Chapter 4 2022 Target: Algorithm governance, Ecological alliance

Milkyway is committed to building a global point-to-point chemical supply chain service capability, with a large number of SKUs and compliance delivery network to efficiently meet customer needs. Milkyway will take various forms of terminal as the strategic commanding point of vertical integration to solve roaring cross-industry competition, promote the strategic iteration, and prosper trading and environmental protecting business.

1. Fundamental work, specifying strategic goals to match core capabilities

Improving science and technology innovation for digital governance, by increasing investment in IT system and innovation: MCP cloud architecture upgrade, BI Combat center 2.0, VR viewing and unmanned warehousing project. Unification of organizational reform, market coordination, strategy implementation and other supportive centers; Enhancing safety and quality, improving real-time VMI; Developing data analysis of pre-finding and post events; Construction of drone inspection station.

2.Future oriented, planning 3-5 years in advance, preparing for great 2030

Taking various forms of terminal as the strategic commanding point to solve cross-industry competitions; launching ‘Jin Chan project’ and insisting on the ‘undervalue principle’ when implementing asset lightweight strategy; Marketization of internal capabilities, as the third growth pole; Promoting ‘Spark Plan’ and globalization strategy.

3.Balance profit and loss to ensure high quality annual growth



Focusing on the strategic target customers: chip and semiconductor, biomedicine, consumption upgrade, aerospace, clean energy and so on. Increasing the business scale of MPC, Prospering MCD and e-commerce. Adjusting market strategy to enhance customer engagement and experience; Involving partners as new elements to solidify ecosphere, to concentrate chemical supply chain and to realize organic growth.

4.Creating success based on cultural convergence and multiple capabilities

Cultural convergence is the only way to reduce cost and increase success. Talents and system will remain the top priority in the long run. Milkyway will persistently cultivate engineers and safety culture and build CEO,CSO plan and COE team.

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