



山东港口
SHANDONG PORT GROUP

日照港裕廊股份有限公司
RIZHAO PORT JURONG CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)

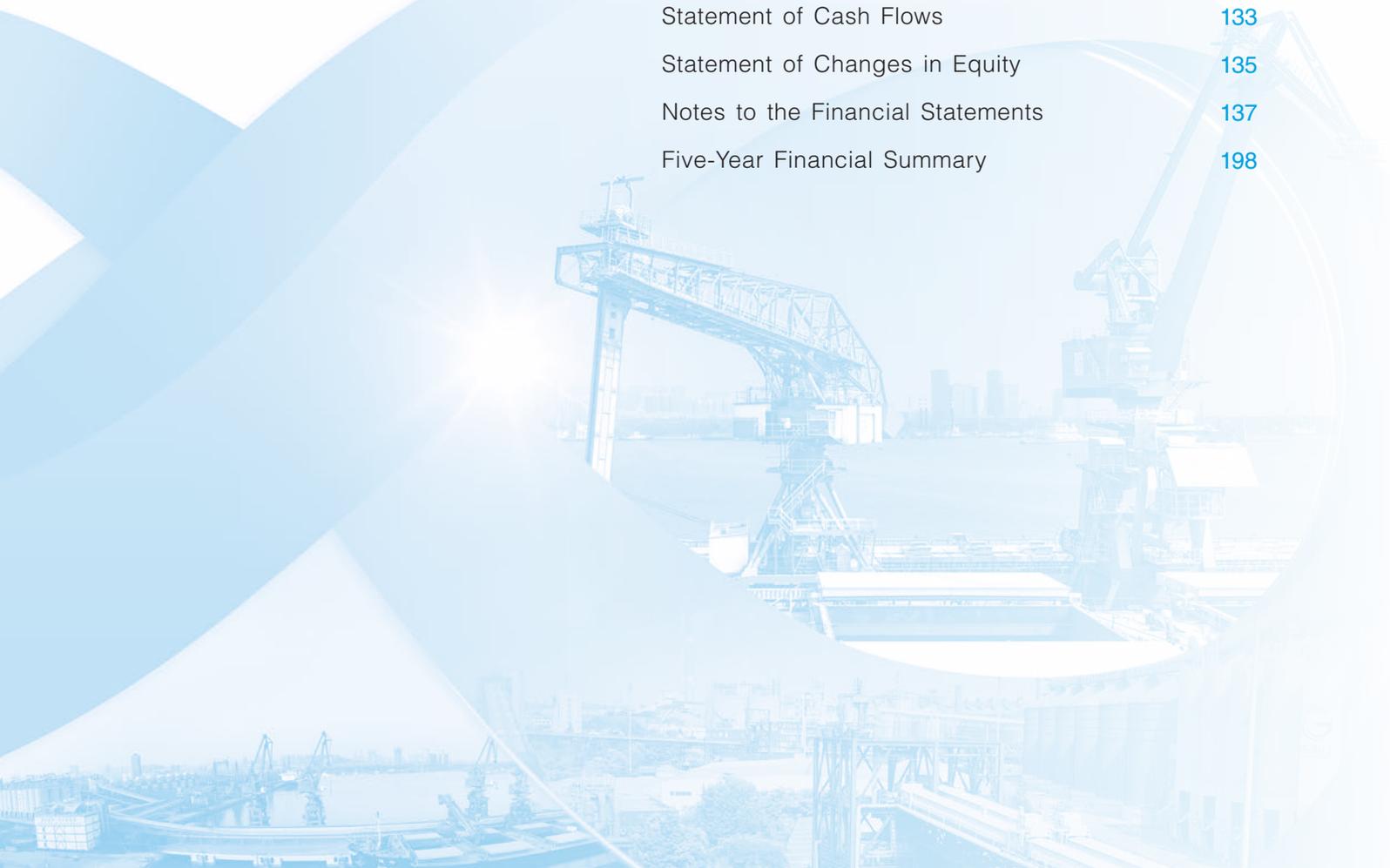
Stock Code: 6117

2022 ANNUAL REPORT



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Corporate Information

COMPANY NAME (IN CHINESE)

日照港裕廊股份有限公司

COMPANY NAME (IN ENGLISH)

RIZHAO PORT JURONG CO., LTD.

LEGAL REPRESENTATIVE

Mr. Cui Liang

REGISTERED OFFICE AND HEADQUARTERS IN THE PRC

South End
Haibin 5th Road
Rizhao City, Shandong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40/F, Dah Sing Financial Centre
248 Queen's Road East
Wanchai
Hong Kong

LISTING DATE

19 June 2019

PLACE OF LISTING

Main Board of The Stock Exchange of Hong Kong Limited

STOCK ABBREVIATION (IN ENGLISH)

RIZHAO PORT JR

STOCK ABBREVIATION (IN CHINESE)

日照港裕廊

STOCK CODE

6117

TELEPHONE

+86 0633 7381 569

FACSIMILE

+86 0633 7381 530

E-MAIL

rzgyl@rzportjurong.com

COMPANY'S WEBSITE

www.rzportjurong.com

EXECUTIVE DIRECTOR

Mr. Zhang Feng (*resigned on 15 February 2023*)
Mr. Qin Yuning (*appointed on 15 February 2023*)

NON-EXECUTIVE DIRECTORS

Mr. Cui Liang (*Chairman*)
Mr. Ooi Boon Hoe (*resigned on 17 October 2022*)
Mr. Pay Cher Wee (*resigned on 17 October 2022*)
Mr. Jiang Zidan (*resigned on 17 October 2022*)
Mr. Seow Kok Leong Terence (*appointed on 28 December 2022*)
Mr. Nyan Ming Ren Francis (*appointed on 28 December 2022*)
Mr. Fang Lei (*appointed on 28 December 2022*)
Mr. Chen Lei

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Zixue
Mr. Lee Man Tai
Mr. Wu Xibin

SUPERVISORY COMMITTEE

Mr. Wang Wei (*Chairman*) (*resigned on 2 August 2022*)
Mr. Gao Zhiyuan (*Chairman*) (*appointed as the employee representative Supervisor on 2 August 2022 and appointed as the Chairman on 19 August 2022*)
Mr. Li Weiqing
Mr. Tham Wai Kong

JOINT COMPANY SECRETARIES

Mr. Zheng Shiqiang
Ms. Lau Jeanie (*resigned on 2 August 2022*)
Ms. Ho Yin Kwan (*appointed on 2 August 2022*)

AUTHORISED REPRESENTATIVES

Mr. Zhang Feng (*resigned on 15 February 2023*)
Mr. Qin Yuning (*appointed on 15 February 2023*)
Ms. Lau Jeanie (*resigned on 2 August 2022*)
Ms. Ho Yin Kwan (*appointed on 2 August 2022*)

AUDIT COMMITTEE

Mr. Lee Man Tai (*Chairman*)
Mr. Zhang Zixue
Mr. Chen Lei

REMUNERATION COMMITTEE

Mr. Zhang Zixue (*Chairman*)
Mr. Wu Xibin
Mr. Jiang Zidan (*resigned on 17 October 2022*)
Mr. Chen Lei (*appointed to be a member on 17 October 2022 and ceased to be a member on 28 December 2022*)
Mr. Fang Lei (*appointed on 28 December 2022*)

NOMINATION COMMITTEE

Mr. Cui Liang (*Chairman*)
Mr. Lee Man Tai
Mr. Zhang Zixue
Mr. Wu Xibin
Mr. Pay Cher Wee (*resigned on 17 October 2022*)
Mr. Seow Kok Leong Terence (*appointed on 28 December 2022*)

AUDITOR

Grant Thornton Hong Kong Limited

LEGAL ADVISERS

(1) As to Hong Kong laws:

Jun He Law Offices

(2) As to PRC laws:

JunHe LLP

H SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKER

Agricultural Bank of China Rizhao Branch

Definitions

In this annual report, the following expressions have the following meanings unless otherwise specified:

“AGM”	the 2022 annual general meeting or any adjournment thereof of the Company to be convened at 10:00 a.m. on Thursday, 18 May 2023 at Office Building of Rizhao Port Jurong Co., Ltd.
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Asia Symbol”	Asia Symbol Shandong Co., Ltd. (亞太森博山東漿紙有限公司)
“Audit Committee”	the audit committee of the Company
“Board”	board of Directors
“CG Code”	the Corporate Governance Code as set out in Appendix 14 of the Listing Rules
“China” or “PRC”	People’s Republic of China, excluding, for the purposes of this annual report only, Hong Kong, Macau Special Administrative Region and Taiwan
“Company”, “we”	Rizhao Port Jurong Co., Ltd. (日照港裕廊股份有限公司)
“Director(s)”	director(s) of the Company
“Domestic Share(s)”	ordinary shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB by PRC natural persons or entities established under PRC laws
“H Share(s)”	overseas listed shares in the share capital of the Company with a nominal value of RMB1.00 each in the share capital of the Company, listed on the Main Board of the Stock Exchange and traded in HK\$
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“independent third party(ies)”	an individual or a company which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is not a connected person of the Company within the meaning of the Listing Rules
“Listing Date”	19 June 2019
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

Definitions (Continued)

“Nomination Committee”	the nomination committee of the Company
“Prospectus”	the prospectus of the Company dated 31 May 2019
“Qingdao Port Equipment”	Qingdao Port Equipment Manufacturing Co., Ltd.* (青島港口裝備製造有限公司)
“Qingdao Port Group”	Shandong Port Qingdao Port Group Co., Ltd.* (山東港口青島港集團有限公司)
“Qingdao Port International”	Qingdao Port International Co., Ltd. (青島港國際股份有限公司)
“Remuneration Committee”	the remuneration committee of the Company
“Reporting Period”	the financial year ended 31 December 2022
“Rizhao Port”	Rizhao Port Co., Ltd. (日照港股份有限公司)
“Rizhao Port Group”	Shandong Port Rizhao Port Group Co., Ltd. (山東港口日照港集團有限公司)
“Rizhao Port Lanshan”	Rizhao Port Lanshan Port Services Co., Ltd.* (日照港股份嵐山港務有限公司)
“Rizhao Port Supervision”	Rizhao Port Construction and Supervision Co., Ltd. (日照港建設監理有限公司)
“RMB”	Renminbi Yuan, the lawful currency of the PRC
“RPG Finance”	Rizhao Port Group Finance Co., Ltd (日照港集團財務有限公司), the predecessor entity of SPG Finance upon completion of the absorption and merger with SPG Finance
“SDP Logistics Group”	Shandong Port Luhai International Logistics Group Co., Ltd.* (山東港口陸海國際物流集團有限公司)
“SDP Shipping Group”	Shandong Port Shipping Group Co., Ltd.* (山東港口航運集團有限公司)
“SDP Technology Group”	Shandong Port Technology Group Co., Ltd.* (山東港口科技集團有限公司)
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (as amended from time to time)
“Shandong Gangtong”	Shandong Gangtong Engineering Management Consulting Co., Ltd.* (山東港通工程管理諮詢有限公司)
“Shandong Gangwan”	Shandong Gangwan Construction Group Co., Ltd. (山東港灣建設集團有限公司)
“Shandong Port Finance Holding Group”	Shandong Port Investment Holding Co., Ltd.* (山東港口投資控股有限公司), previously known as Shandong Port Finance Holding Co., Ltd.* (山東港口金融控股有限公司)
“Shandong Port Group”	Shandong Port Group Co., Ltd. (山東省港口集團有限公司)
“Shandong Port International Trade Rizhao Company”	Shandong Port International Trade Group Rizhao Co., Ltd* (山東港口國際貿易集團日照有限公司)

Definitions (Continued)

"Shandong SASAC"	Shandong Provincial State-owned Assets Supervision and Administration Commission
"Share(s)"	share(s) of RMB1.00 each in the share capital of the Company, comprising the Domestic Shares and the H Shares
"Shareholder(s)"	holder(s) of the Shares
"SPG Finance"	Shandong Port Group Finance Co., Ltd.* (山東港口集團財務有限責任公司), previously known as Qingdao Port Finance Co., Ltd. (青島港財務有限責任公司), the surviving merging party upon completion of the absorption and merger with RPG Finance
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	supervisor(s) of the Company
"Supervisory Committee"	the supervisory committee of the Company
"%"	per cent

* *Unofficial English translation denotes for identification purposes only*

Dear Shareholders,

On behalf of the Board of Directors of the Company, I hereby present to you the annual report of the Company for the year ended 31 December 2022.

In 2022, the Company recorded the historically best business performance as the volume of main cargo types increased steadily under the customer-centricity concept and the advantages of integration reform and inclusive development, which was the outcome of its strong efforts in seizing market opportunities, adjusting port tariffs, boosting incremental growth, focusing on improvement of service quality, coordinating production resource allocation and industrial integration, and providing services of “fast access to berth, fast unloading and fast delivery and turnaround”, therefore satisfying Shareholders with a great answer.

RECORD-HIGH BUSINESS PERFORMANCE AND STEADY ASSET GROWTH

During the Reporting Period, the throughput was 30.40 million tonnes, an increase of 1.1% as compared with the same period of 2021. The operating revenue was RMB833.490 million, an increase of RMB75.069 million or 9.9% as compared with the same period of 2021, and the net profit was RMB199.873 million, an increase of RMB31.577 million or 18.8% as compared with the same period of 2021. The total assets reached RMB2.904 billion, representing year-on-year increase of 5.9%, and the net asset reached RMB2.5536 billion, representing year-on-year increase of 6.3%. Performance indicators and the scale of assets maintained steady growth, creating greater value for Shareholders.

FOCUS ON CORE PORT BUSINESSES AND DEDICATION TO GRAIN INDUSTRY

As the Company proactively seized opportunities arising from the development of upstream and downstream sectors, provided targeted solutions for customers' demands and promoted industrial integration, the throughput of grains exceeded 10,000,000 tonnes for three consecutive years, and the grain segment became one of the Company's core businesses maintaining long-term stability; as a result, the Company further enhanced its function as a core hub for port grain shipment. In the past year, the Company deepened the construction of the integrated collection, distribution and transportation system, and commenced the construction of Rizhao Port Grain Base with investment of RMB1.44 billion, aiming to build the benchmarking grain transshipment base in China. When the project is in service, the grain storage capacity will exceed 1,000,000 tonnes, and the Company is poised to maintain the position of leading stevedoring port of imported grains in China.

Benefiting from the port-centered grain and oil industry cluster and the efficient railway transport system, the Company's grain business recorded growth amid the weak market. The throughput of soybean reached over 9,000,000 tonnes for the first time, representing year-on-year increase of 12.4% and accounting for 9.7% of China's total soybean import; therefore, the Company remained as the largest imported soybean handling port in China. Analysed by means of transportation, the railway transportation of grains reached 2,800,000 tonnes, representing year-on-year increase of 44.3%, as the Company took proactive measures to facilitate inland enterprises engaged in grain, oil and feed production to resume to work, help upstream and downstream customers to overcome difficulties and deepened the extended door-to-door logistics services, which was conducive to further development of multi-modal transportation featuring transition from bulk cargo shipment to centralised transportation and from road transportation to railway transportation.

STANDARDIZE THE OPERATION OF THE COMPANY'S GENERAL MEETINGS, BOARD OF DIRECTORS AND SUPERVISORY COMMITTEE, AND IMPROVE THE LEVEL OF CORPORATE GOVERNANCE

In accordance with the corporate governance requirements, the Company promoted the operation of general meetings, information disclosure and investor relation management with high standards. It strictly followed the relevant provisions of information disclosure and duly performed information disclosure procedures for periodic reports and provisional announcements, to improve the quality and timeliness of information disclosure. During the year, 5 shareholders' meetings, 5 board meetings, 4 meetings of the Supervisory Committee were convened, and all committees under the Board convened meetings in compliance with the respective rules of procedure, which ensured that the Company operated in accordance with laws and regulations and maintained good relationship with Shareholders.

In the past year, the Company was recognised as the "2022 Golden Bee Corporate Social Responsibility – China – ESG Competitiveness – Customer-oriented Enterprise", honoured with the Vanguard Award and the Outstanding Business Performance Award sponsored by Shandong Port Group, and accredited as "Advanced Group" by Shandong Port Group Rizhao Port.

FUTURE PROSPECTS

For the supply-demand structure of grains, the world witnesses unbalanced production and consumption and certain degree of shortage. In the international market, grain prices are rising continuously, and major grain-producing countries and the international grain trading volume show the momentum of growth; in China, enterprises engaged in grain, oil and feed production report increasing demands for imported grains. As to domestic demands, China will see increasing import demands for grains, oilseeds and proteins, for consumption will gradually recover to the normal level and the large population will generate considerable demands. China's increasing grain import will become a main driver for the global grain market.

Several advantages, including strong foundation in the port industry, expansion of infrastructures, competitive logistics and transportation advantages, close cooperation with customers and strong development momentum, will enable the Company to embrace great growth opportunities in the future. It will focus on "safety, efficiency, economic benefit", prioritise reform and innovation, intensify efforts to reduce costs and improve efficiency, further strengthen the capability of providing seamless international logistics services and strive to build the benchmarking grain transshipment base in China. The Company will prioritise the following works:

To maintain throughput of soybean to over 10,000,000 tonnes with scientific planning

The Company will boost the throughput of soybean to over 10,000,000 tonnes by seizing opportunities brought by capacity expansion of inland enterprises, tracking the capacity building progress and the raw material procurement plans of new plants, strengthening strategic cooperation with core customers, accelerating the port infrastructure construction projects, improving the comprehensive service capability, developing more channels for soybean sources and stabilising the maize business.

To achieve maximum efficiency through targeted policies and vigorous efforts

The Company will ensure maximum stevedoring efficiency by strengthening communication and cooperation with port units and agents, advancing the system efficiency improvement programme, making reasonable allocation of manpower and machinery resources, developing scientific business plans, shortening the non-productive downtime and ensuring seamless work operation. It will strengthen cooperation of teams within the organisation and synergy with external parties, enhance cost control, implement the “one ship, one policy” plan to ensure the continuity of operation and improve the efficiency of stevedoring, distribution and transportation.

To build a smart and green port with technological empowerment

The Company will apply new-generation information technologies to promote ten key innovation projects including automation of port facilities, one-click and safe cleaning of storage houses, unmanned accurate loading for storage houses and funnels, for the purpose of building a leading, representative, smart and green grain handling port.

To achieve greater improvement of customer experience by better service

As service forms the core competitiveness of the port, the Company will promote the “Spring Service” customer service improvement campaign among all employees to improve the service awareness, adopt new service concepts, develop service patterns and strengthen the service capability. Taking “fast unloading, seamless distribution and delivery, sound management, low costs” as the fundamental principles, the Company will consolidate the comprehensive strength and service standard to win greater loyalty and recognition from customers.

Finally, on behalf of the Board of Directors, I would like to thank the Shareholders and business partners of the Company for their strong support and assistance to the Company, and at the same time express my sincere gratitude to all the employees of the Company for their hard work.

Rizhao Port Jurong Co., Ltd.

Chairman

Cui Liang

31 March 2023

Financial Highlights

for the year ended 31 December 2022

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>	Change %
Summary of Statement of Profit or Loss			
Operating revenue	833,490	758,421	9.9
Gross profit	297,264	258,340	15.1
Operating profit	269,422	226,069	19.2
Net profit attributable to shareholders of the parent company	199,873	168,296	18.8
Basic earnings per share (<i>RMB cents</i>)	12.04	10.14	18.7
Summary of Statement of Financial Position			
Cash and cash equivalents	852,658	592,669	43.9
Net current assets	754,365	550,183	37.1
Total assets	2,904,246	2,732,604	6.3
Lease liabilities	232,138	246,180	-5.7
Gearing ratio (%)	9.09	10.28	-11.6
Net assets per share (<i>RMB</i>)	1.54	1.44	6.9
Return on net assets (%)	7.83	7.03	11.4
Summary of Statement of Cash Flows			
Net cash flow from operating activities	339,781	363,180	-6.4
Net cash flow used in investing activities	(3,974)	(4,604)	-13.7
Net cash flow used in financing activities	(75,818)	(46,187)	64.2
Net increase in cash and cash equivalents	259,989	312,389	-16.8

INTERNATIONAL AND DOMESTIC SITUATION

Overall Situation

In 2022, the impact of various factors including the Russia-Ukraine conflict, COVID-19 pandemic, and other developments in global geopolitics had resulted in significant decline in the global economic growth. This has also led to enormous fluctuations in financial markets, global inflation as well as the constant increase in expectation of a global economic recession. The sharp fluctuations in international food prices directly led to an increase in the cost of global food imports, with the world's maize and wheat prices both hitting record peaks. China's foreign trade continuously maintained a steady growth, with the total value of imports and exports of goods reaching RMB42.07 trillion, representing a year-on-year increase of 7.7%, reaching another new historical high. Among them, the total imports and exports of agricultural products were RMB2.23 trillion, representing a year-on-year increase of 9.9%. The proportion of grain imports in the total imports of agricultural products was approximately 34.93%. (Source: General Administration of China Customs of the PRC).

According to the data released by General Administration of China Customs of the PRC, China's grain import volume in 2022 was 146.872 million tonnes, representing a year-on-year decrease of 10.7%. Affected by international grain prices and the decrease in import volume, China's grain import cost rose significantly to a multi-year high. The average import price of grain for the year had reached RMB3,744.7 per tonne, representing an increase of 27% as compared to the previous year; and the average import price of soybeans was RMB4,484.8 per tonne, representing an increase of 25% as compared to the previous year. (Source: General Administration of China Customs of the PRC).

Operation of the Port Industry

In 2022, the growth rate of maritime trade slowed, and the growth rate of global port throughput was under pressure. Key factors in play are the rapid expansion after the ease up of overseas pandemic control, which aggravated the shortage of port labor and the supply chain capacity bottlenecks, as well as the rapid increase of energy and raw material prices inhibiting international procurement. In 2022, China's port production was generally stable, with cargo throughput continuing its growth momentum, completing 15.685 billion tonnes of cargo throughput, representing a year-on-year increase of 0.9%. Out of this volume, 4.607 billion tonnes were contributed by foreign trade cargo throughput, which had declined by 1.9% year-on-year.

Shandong port is located at the crossroads of sea and land of "One Belt, One Road", at the "double node" of the new development pattern, and is the "bridgehead" of RCEP for Japan, Korea and ASEAN. In 2022, the cargo throughput of Shandong port exceeded 1.6 billion tonnes and the container throughput exceeded 37 million TEUs, continuing its ranks as the first and the third in the world, with an increase of 6.4% and 8.7%, respectively. A new peak in its overall competitiveness achieved a historic new leap and concentration on a new pattern of building a world-class marine port and a world-class enterprise. (Source: Ministry of Transport of China, Shandong Port Group)

Management Discussion and Analysis (Continued)

BUSINESS AND FINANCIAL REVIEW

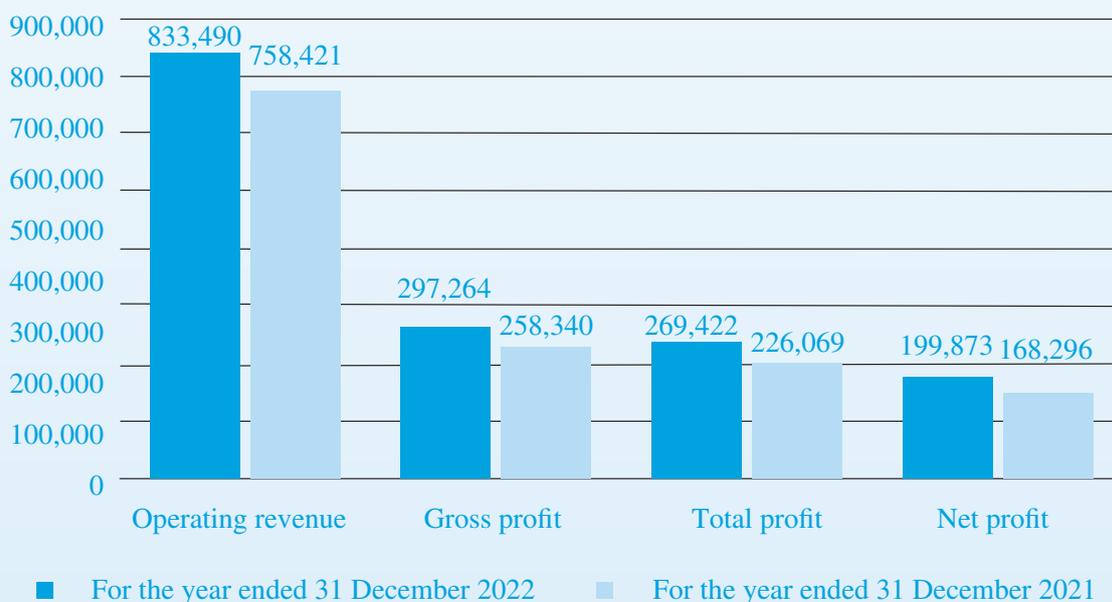
Overall Review

In 2022, the Company has seized market opportunities, optimised port tariffs and expanded the scope for incremental growth. The Company focused on “customer-centricity”, service quality improvement, optimisation of production resources allocation and integrated control of the port area. Through fast turnover of services provided, the Company were able to steadily increase the volume of main cargo types, achieving efficient transshipment, and reaching a new record high in the annual production and operation targets. The Company was awarded the “2022 Golden Bee Corporate Social Responsibility China ESG Competitiveness List”. At the same time, with plans to increase infrastructure investment, the Company commenced construction of the Rizhao Port Grain Base Project, enhancing the development for the food industry.

During the Reporting Period, the Company achieved cargo throughput of 30.40 million tonnes, representing an increase of 1.1% as compared with the same period last year. In terms of cargo mix, the throughput of grains continued to grow year-on-year and the throughput of woodchips, other cargoes and berth leasing maintained relatively stable while there is a sharp reduction in the throughput of dried tapioca compared to the year before. The increase in throughput of grain cargoes offset the impact of decline in dried tapioca for both revenue and profit of the Company. The Company’s major performance indicators remained stable as follows:

Comparison of Major Performance

Unit: RMB’000



Management Discussion and Analysis (Continued)

During the Reporting Period, the Company achieved an operating revenue of RMB833.490 million, an increase of RMB75.069 million or 9.9% as compared with the same period of 2021.

During the Reporting Period, the Company achieved a gross profit of RMB297.264 million, an increase of RMB38.924 million or 15.1% as compared with the same period of 2021.

During the Reporting Period, the Company achieved the profit before tax of RMB269.422 million, an increase of RMB43.353 million or 19.2% as compared with the same period of 2021.

During the Reporting Period, the Company achieved a net profit of RMB199.873 million, an increase of RMB31.577 million or 18.8% as compared with the same period of 2021.

Financial Review

During the Reporting Period, the Company's total revenue increased by RMB75.069 million or 9.9% as compared with the same period, mainly attributable to an increase of RMB85.771 million in revenue from contracts with customers, compensating for the decrease in revenue from property leasing of RMB10.702 million.

(1) Total Revenue

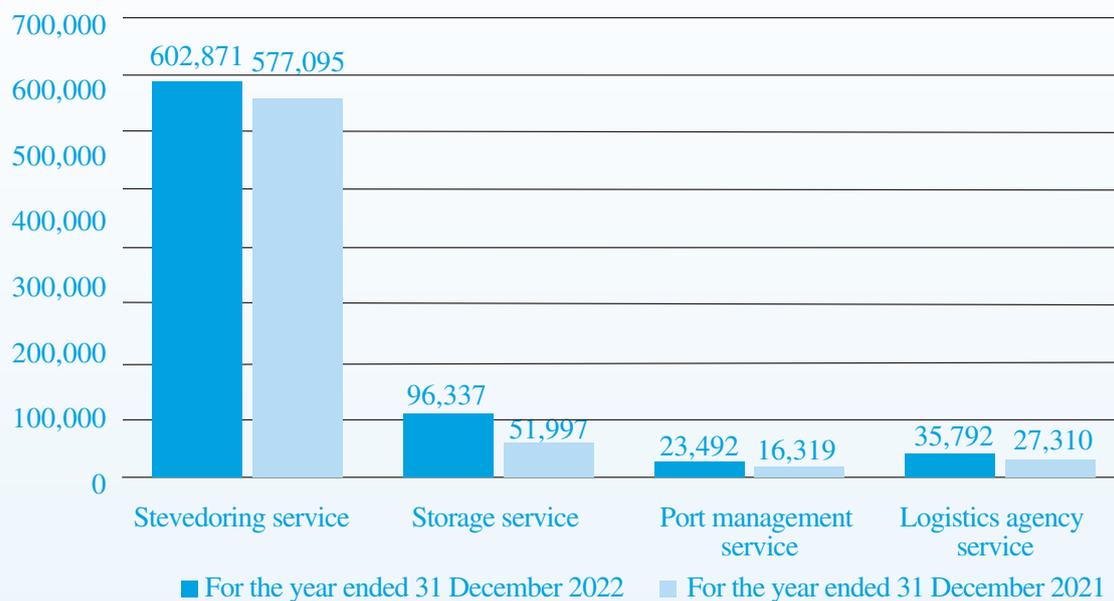
	For the year ended 31 December			
	2022 RMB'000	2021 RMB'000	Period-to-period change Change in amount RMB'000	Percentage of change
Revenue from contracts with customers –				
Provision of services	758,492	672,721	85,771	12.7%
Rental income from investment properties	74,998	85,700	(10,702)	(12.5%)
Total revenue	833,490	758,421	75,069	9.9%

Management Discussion and Analysis (Continued)

(2) Revenue from contracts with customers by service type

Major Types of Business Revenue

Unit: RMB'000



	For the year ended 31 December			
	2022 RMB'000	2021 RMB'000	Period-to-period change Change in amount RMB'000	Percentage of change
Stevedoring service	602,871	577,095	25,776	4.5%
Storage service	96,337	51,997	44,340	85.3%
Port management service	23,492	16,319	7,173	44.0%
Logistics agency service	35,792	27,310	8,482	31.1%
Total	758,492	672,721	85,771	12.7%

Management Discussion and Analysis (Continued)

During the Reporting Period, for stevedoring service, the increase in business volume of grains offsets the decrease in dried tapioca, along with the increase of port tariff for grain goods, resulting in a 4.5% year-on-year increase in revenue and achieving its steady growth.

During the Reporting Period, the increase in revenue from storage service was mainly attributable to the increase in the import volume of grain cargoes, shortening of the unloading period and improvement of the storage tariff structure, in order to expedite the turnover of cargo discharge as compared with the same period of the last year.

During the Reporting Period, port management service increased as compared with the same period of last year, these are mainly attributable to the increase in the adjustment of accounting items by adjusting the cargo port charges from stevedoring services to port management services account, resulting in an increase in revenue.

During the Reporting Period, the revenue from logistics agency service increased as compared with the same period of last year, which was mainly due to the expansion in logistics business volume for certain customers.

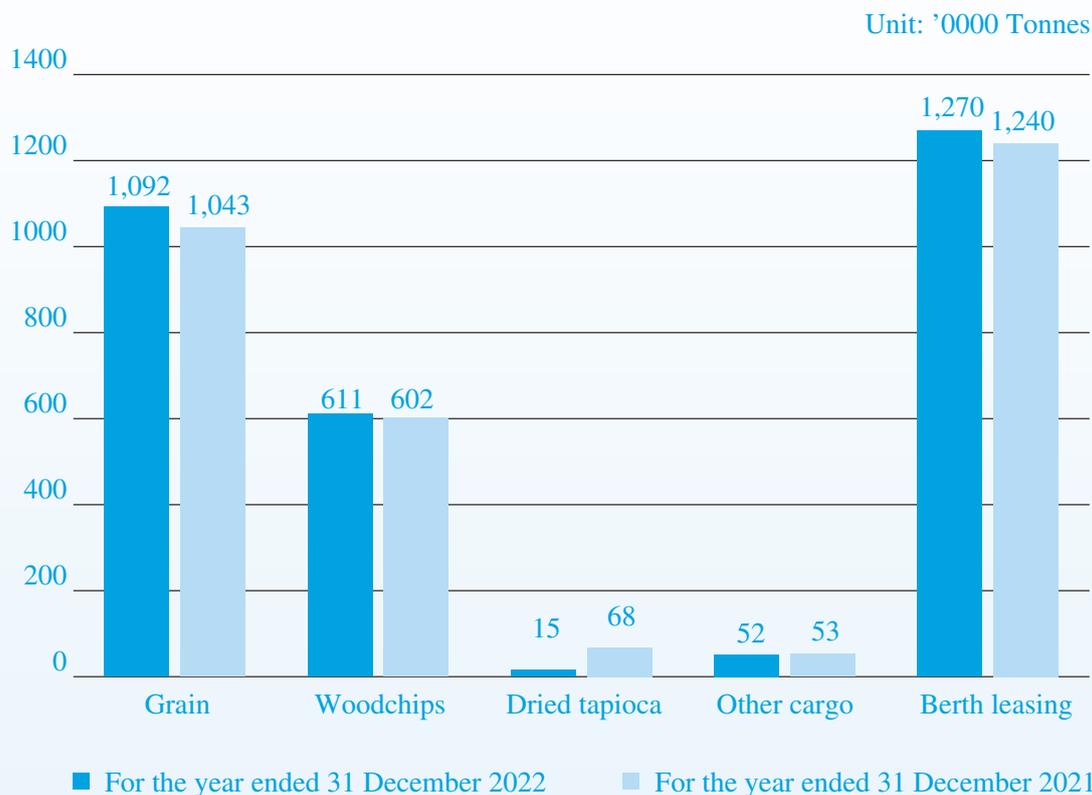
Throughput

Unit: '0000 tonnes Excluding percentage

Cargo types	2022		2021		Change
	Throughput	Proportion	Throughput	Proportion	
Grain	1,092	35.9%	1,043	34.7%	4.7%
Woodchips	611	20.1%	602	20.0%	1.5%
Dried tapioca	15	0.5%	68	2.3%	-77.9%
Other cargo	52	1.7%	53	1.8%	-1.9%
Berth leasing (Asia Symbol)	1,270	41.8%	1,240	41.2%	2.4%
Total	3,040	100.0%	3,006	100.0%	1.1%

Management Discussion and Analysis (Continued)

Comparison of Throughput by Cargo Type



Grain

In 2022, China accumulated grain imports amounting to 146.872 million tonnes, representing a year-on-year decrease of 10.4%, of which, soybeans imports amounted to 91.081 million tonnes, representing a year-on-year decrease of 5.6% (Source: General Administration of China Customs of the PRC). Drawing from the unique competitive advantage of its close proximity to the port, the Company served the grain and edible oil industry well through effective port logistics enhanced by excellent and efficient service from rail and road network and connectivity, enabling record growth in grains handled for the Company, against the backdrop of decline experienced by the industry. The grain throughput amounted to 10.92 million tonnes, representing a year-on-year increase of 4.7%, exceeding 10 million tonnes per annum for three consecutive years, anchoring it the stable core business for the Company.

In terms of the mix of grain types, the Company's soybean throughput amounted to 9.16 million tonnes, exceeding 9 million tonnes for the first time, representing a year-on-year increase of 12.4%. This accounts for 9.7% of the PRC's soybean imports, which represented an increase of 1.6 percentage points as compared with the same period last year. The Company's throughput of maize and other grains amounted to 1.76 million tonnes, representing a decrease of 0.52 million tonnes as compared with the same period last year. In general, the total grains throughput presented a steady growing trend, and was the main factor of the revenue increase of the Company.

Management Discussion and Analysis (Continued)

From the analysis of port logistics, the Company overcame the impact of pandemic on road transportation, and proactively helped coordinate with the customers and logistics agents. The Company deepened the “door to door” railroad logistics service mode, with the railway delivering 2.8 million tonnes of grains for the whole year, representing a year-on-year increase of 44.3%, which helped the development of multi-modal transportation, consolidating bulk shipments and converting from road to rail transportation.

Woodchips

The procurement amount of woodchips by core customers continued to be high and stable. The Company handled 6.11 million tonnes of woodchips for the whole year and maintained a stable business model. The Company integrated berth resources designated for woodchips, extended the rail connectivity, increased turnaround for yard efficiency, and made precise plans with the railroad, customers and logistics delivery, etc. The proportion of rail transportation increased to 75.1%. Shipments by rail hit 285 wagons per day in the strive for a highly efficient integrated woodchips operation.

Dried tapioca

The Company's dried tapioca business was affected by the berth resources and operation restrictions. Under the premise of securing productive resources for the increment of grain handling, the Company adjusted its cargo mix, resulting in a decrease in the volume handled for dried tapioca as compared with the same period of last year.

Other cargo

The Company prioritised the handling of grains over other cargo with the capacity of the existing berths and storage facilities. At the present stage, an annual unloading capacity of 520,000 tonnes for other small cargo were handled with a minor impact on the Company's revenue and profitability.

Berth leasing

The Company signed a long-term lease agreement to lease the West-4 berth, Wood-2 berth and Wood-3 berth owned by the Company to Asia Symbol, an independent third party engaged in wood pulp production. The business volume of berth leasing was mainly from the import and transfer of woodchips throughput of Asia Symbol. Asia Symbol pays us a fixed rent each year, and is responsible for the maintenance of the leased berth and related berthing equipment.

Cost of sales

During the Reporting Period, the cost of sales of the Company amounted to RMB536.226 million, increased by RMB36.145 million or 7.2% from RMB500.081 million as compared with the same period of 2021, mainly attributable to the increase in labor costs and service charges of the Company.

Gross profit

During the Reporting Period, the Company achieved a gross profit of RMB297.264 million, increased by RMB38.924 million or 15.1% from RMB258.340 million as compared with the same period of 2021, mainly attributable to the increase of revenue from stevedoring and storage service.

Management Discussion and Analysis (Continued)

Administrative expenses

During the Reporting Period, the total administrative expenses of the Company amounted to RMB28.951 million, increased by RMB13.983 million or 93.4% from RMB14.968 million as compared with the same period of 2021, primarily due to the increase in employees' salaries.

Other income

During the Reporting Period, other income of the Company amounted to RMB27.343 million, increased by RMB18.575 million or 211.8% from RMB8.768 million as compared with the same period of 2021, mainly attributable to the increase in the interest income and value added tax credit.

Finance costs

During the Reporting Period, the finance costs of the Company amounted to RMB21.700 million, decreased by RMB0.545 million or 2.4% from RMB22.245 million as compared with the same period of 2021, mainly attributable to the change in the terms of the office building lease contract.

Income tax expense

During the Reporting Period, the income tax expense of the Company amounted to RMB69.549 million, increased by RMB11.776 million or 20.4% from RMB57.773 million as compared with the same period of 2021, mainly attributable to the increase in profit before tax of the Company.

Total comprehensive income for the period

Due to the foresaid reasons, during the Reporting Period, the total comprehensive income of the Company was RMB199.873 million, increased by RMB31.577 million or 18.8% from RMB168.296 million as compared with the same period of 2021.

LIQUIDITY AND CAPITAL RESOURCES

The Company adopts a prudent treasury management policy to maintain a solid and healthy financial position. The Company monitors the cash flows and cash balance on a regular basis and strives to maintain an optimum liquidity that can meet its working capital needs.

The Company funds its operations principally from cash flow generated from operating activities. The Company's primary uses of cash are for working capital and to satisfy the capital expenditure needs of the Company.

As at 31 December 2022, the Company had cash and cash equivalents of RMB852.658 million (2021: RMB592.669 million) which were denominated in RMB.

As at 31 December 2022, the Company had no bank borrowings (2021: Nil).

The Company's current ratio (being the ratio of total current assets to total current liabilities) was 7.66 as at 31 December 2022 (2021: 7.51).

Management Discussion and Analysis (Continued)

As at 31 December 2022, the Company's gearing ratio (being the ratio of total interest-bearing borrowings to total equity) was 9.09% (2021: 10.28%).

During the Reporting Period, the Company's net cash from operating activities amounted to RMB339.781 million (the corresponding period of 2021: RMB363.180 million). The Company's net cash used in investing activities during the Reporting Period amounted to RMB3.974 million (the corresponding period of 2021: RMB4.604 million). The Company's net cash used in financing activities during the Reporting Period amounted to RMB75.818 million (the corresponding period of 2021: RMB46.187 million).

PLEDGE OF ASSETS

As at 31 December 2022, the Company did not have any pledge of assets (2021: Nil).

CONTINGENT LIABILITIES

As at 31 December 2022, the Company did not have any contingent liabilities (2021: Nil).

CAPITAL EXPENDITURE

The Company's capital expenditure comprised mainly additions to property, plant and equipment. The Company's capital expenditure in the Reporting Period amounted to RMB18.791 million (the corresponding period of 2021: RMB12.140 million).

SIGNIFICANT INVESTMENTS

In order to consolidate and enhance the Company's position as a grain transshipment and distribution hub among China's coastal ports, the Company invested in the construction of a grain base project, which covered the reconstruction of the West-6 berth with an investment amount of approximately RMB1.44 billion and is expected to be completed and used in June 2024.

Save as disclosed above, no significant investment was made by the Company during the Reporting Period.

MATERIAL ACQUISITIONS AND DISPOSAL

During the Reporting Period, the Company had no material acquisitions and disposal of subsidiaries or associated companies.

Management Discussion and Analysis (Continued)

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this report, the Company had no plans authorised by the Board for material investments or additions of capital assets as at the date of this report.

EVENTS AFTER THE REPORTING PERIOD

Continuing Connected Transaction – Revision of Annual Caps under the Property Lease (Procurement) Framework Agreement 2022

On 7 December 2022, the Company entered into the property lease (procurement) supplemental framework agreement (the “**Supplemental Agreement**”) with Rizhao Port Group to revise the existing annual caps for the transactions contemplated under the property lease (procurement) framework agreement dated 26 November 2021 (the “**Property Lease (Procurement) Framework Agreement 2022**”) for the three financial years ending 31 December 2024.

The Company held the extraordinary general meeting on 15 February 2023 and the resolutions approving the continuing connected transactions contemplated under the Supplemental Agreement and the proposed revised annual caps for the transactions contemplated under the Property Lease (Procurement) Framework Agreement 2022 (as amended by the Supplemental Agreement) for the financial years ending 31 December 2024 were duly passed at the meeting as ordinary resolutions. For details, please refer to the announcements of the Company dated 7 December 2022 and 15 February 2023 and the circular of the Company dated 20 January 2023.

Major and Connected Transaction – Construction Contract

On 31 March 2023, the Company entered into the construction contract with Shandong Gangwan, pursuant to which the Company agreed to engage Shandong Gangwan as the contractor for the Rizhao Port Grain Base Project (Technology Part). The contract sum is RMB536,209,668.98 and the construction period is expected to end on or about 31 December 2023. For details, please refer to the announcement of the Company dated 31 March 2023.

Discloseable and Connected Transaction – Acquisition of Properties

On 31 March 2023, the Company entered into the land use right transfer contracts with Rizhao Port Group, pursuant to which Rizhao Port Group agreed to transfer the land use rights of certain properties to the Company at an aggregate consideration of RMB107,850,000. For details, please refer to the announcement of the Company dated 31 March 2023.

Connected Transaction – Disposal of Asset

On 31 March 2023, the Company entered into an asset transfer agreement with Third Harbor Branch of Rizhao Port Co., Ltd. (日照港股份有限公司第三港務分公司), pursuant to which the Company has conditionally agreed to sell, and Third Harbor Branch of Rizhao Port Co., Ltd. has conditionally agreed to acquire, the no. 3 warehouse which is located at West-18 berth, west district of Shijiu port area, Rizhao City, Shandong Province, the PRC, at a consideration of RMB34,186,760. For details, please refer to the announcement of the Company dated 31 March 2023.

Save as disclosed in this report, there are no material events undertaken by the Company after the Reporting Period.

FOREIGN EXCHANGE RISK MANAGEMENT

The operations of the Company are mainly located in the PRC, and substantially all of business assets, liabilities, operating revenue and expenses of the Company are denominated in or settled in RMB, while liabilities denominated in foreign currencies are mainly used to pay overseas agency fees. As such, the Company considers there is no material foreign exchange exposure. As at 31 December 2022, the Company did not enter into any derivative contracts to hedge the foreign exchange exposure.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Company had a total of 335 full-time employees, all of whom are based in the PRC (2021: 328 employees). During the Reporting Period, the employees costs of the Company amounted to RMB84.591 million (2021: RMB69.965 million).

The remuneration policy of the Company links the remunerations of employees with performance, according to their positions, qualifications, work performance and the Company's production and operation results. For the senior management of the Company, the Company implements a basic salary and a performance-based salary policy. The employees' remunerations are reviewed and adjusted by the Company annually. The Company also provides employees with various benefits in accordance with the relevant national, municipal and city-level laws and regulations in the PRC.

In addition, to actively establish a learning enterprise and cultivate employees with active learning, the Company offers internal trainings on safety and security, business operations and technical skills to the employees for their improvement of skills related to their roles.

Management Discussion and Analysis (Continued)

FUTURE PROSPECTS

In 2023, global economy is expected to continue to experience negative growth given the high commodity prices and continued monetary tightening are expected to persist in the near term, and the existence of risks such as heightened geopolitical tensions, increased global financial volatility, continued supply chain tensions and deteriorating food security. In 2023, grain transportation demand is expected to grow slightly by 1–2%. Domestic consumer demand is expected to normalise, with success of pandemic preventive measures. Driven by China's large demographic, the import demand for grains, oilseeds and proteins is expected to grow in tandem with China's imports demand from the global food market.

The Company has a strong foundation in the port industry, expanding infrastructures and a strong logistics and transportation advantage. The Company also enjoy strong momentum through close customer relationships, and these advantages will provide significant opportunities for the Company's production and operations. The Company will prioritise to reform and innovate, focus on cost reduction and increase in efficiency towards a seamless international logistics flow, and to become a management benchmark of national port grain transshipment bases with focus on "safety, efficiency and effectiveness". The Company will prioritise on the following tasks:

To anchor soybean cargo species over 10 million with scientific planning

The Company will continuously improve the comprehensive service capacity of the port by paying close attention to the opportunities brought by the new production capacity in the hinterland, following up on the progress of the new plants and raw material procurement plan, consolidation of the strategic cooperation relationship with the core customers accompanied with acceleration of the construction progress of the port infrastructure projects, as well as striving to attract soybean cargo, stabilizing the increase of maize cargo, strive that the annual throughput of soybean cargo exceeds 10 million tonnes.

To concentrate on maximum effectiveness in operation with accurate policies

The Company will ensure maximum efficiency of ship unloading by improvement in communication and cooperation with port units and agents, implementation of system efficiency improvement campaign, coordination of human and mechanical resources, scientific production plans, contraction of non-production downtime and smooth planning. The Company will strengthen internal and external cooperation, enhance cost control and implement the "one ship, one policy" plan in order to ensure the continuity of production operations, and focus on improving the efficiency of loading and unloading and transportation.



Management Discussion and Analysis (Continued)

To build a smart green port with technological empowerment

With application of new-generation information technology, implementation of projects such as shore-side equipment automation transformation, fully automatic unloading of woodchip yard, unmanned precision loading of silo/hopper, and construction of unmanned yard, the Company will commit to one-click safe unmanned warehouse cleaning and dust control grain system, to accelerate the implementation of projects such as remote monitoring, personnel positioning, and centralized control of firefighting, accomplishing to be a smart green port.

To achieve new improvements in customer experience by robust service

The Company's employees will carry out customer service improvement activities, namely "Spring Service", to strengthen service awareness, change service concepts, innovate service methods and elevate service capabilities resulting from the fact that service is the core competitiveness of the port. The Company will lift its comprehensive competitiveness and service, enhance customer adhesion, and win customer reputation with the fundamental starting point of "unloading fast, smooth, good management, low cost".

Corporate Governance Report

CULTURE, VALUES, AND STRATEGY

The Company adheres to the mission of “developing ports, serving the society, and achieving employee value”, with the vision of “building an international first-class port”. We uphold the values of “integrity, responsibility, hard work, and innovation”, and promote the spirit of “striving for excellence in the new era of Rizhao Port”. We strive to create a sustainable business development model, build a green port, undertake our social responsibility, and realize the value fusion of economy, environment and society.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving a high standard of corporate governance practices in the belief that they are critical to the development of the Company and essential for protecting the interest of the Shareholders. The Company has adopted the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company reviews its corporate governance practice from time to time in order to ensure high standards of corporate governance of the Company and meet the expectations of the Shareholders and other stakeholders.

The Company has complied with the relevant requirements of the applicable code provisions of the CG Code for the year ended 31 December 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for the Directors and the Supervisors of the Company to conduct securities transactions. Having made specific enquiry of all the Directors and Supervisors, each of the Directors and the Supervisors has confirmed that he/she has complied with the required standard as set out in the Model Code during the Reporting Period.

THE BOARD

Board Composition

In compliance with code provision B.1.2 of the CG Code, an updated list of the Directors identifying their role and function are available on the websites of the Company (www.rzportjurong.com) and HKEXnews (www.hkexnews.hk). The Company will review the composition of the Board from time to time to ensure that the Board possesses the appropriate and necessary expertise, skills and experience to meet the needs of the Company's business and to enhance the Shareholders' value.

The Board currently comprises nine Directors in total, including one executive Director, five non-executive Directors and three independent non-executive Directors. The composition of the Board during the year and up to the date of this annual report is set out as follows:

Executive Director

Mr. Zhang Feng (*resigned on 15 February 2023*)
Mr. Qin Yuning (*appointed on 15 February 2023*)

Non-executive Directors

Mr. Cui Liang (*Chairman*)
Mr. Ooi Boon Hoe (*resigned on 17 October 2022*)
Mr. Pay Cher Wee (*resigned on 17 October 2022*)
Mr. Jiang Zidan (*resigned on 17 October 2022*)
Mr. Seow Kok Leong Terence (*appointed on 28 December 2022*)
Mr. Nyan Ming Ren Francis (*appointed on 28 December 2022*)
Mr. Fang Lei (*appointed on 28 December 2022*)
Mr. Chen Lei

Independent Non-executive Directors

Mr. Zhang Zixue
Mr. Lee Man Tai
Mr. Wu Xibin

Pursuant to the Articles of Association, Directors shall be elected or replaced at shareholders' general meetings and serve a term of three years. Directors are eligible for re-election upon the expiration of their terms. If the Board appoints a new director to fill a temporary vacancy, the appointed director shall be subject to election by the Shareholders at the first shareholders' general meeting after his or her appointment.

Biography of each Director is set out in the section headed "Brief Biographies of Directors, Supervisors and Senior Management" in this annual report.

The Directors have no financial, business, family or other material/relevant relationships with each other.

Corporate Governance Report (Continued)

Board Meetings and General Meetings

According to the Articles of Association, Board meetings shall be held at least 4 times a year. At least 14 days' notice shall be given for a regular board meeting. At least 3 days' notice shall be given in the event of an extraordinary board meeting. Notice of the annual general meeting of the Company shall be served to all shareholders 20 days before the meeting is held, and notice of the extraordinary general meeting shall be served to all shareholders 15 days before the meeting is held. The company secretary of the Company assists the chairman of the Board in preparing the agenda for each meeting. The agenda and board papers shall be despatched at least 3 days before the date of the regular board meeting to enable the Directors to have full and timely access to relevant information. The Board decisions are voted upon at the board meetings. The company secretary of the Company records all matters considered and decisions reached by the Board and any concerns raised or dissenting views expressed by the Directors. Minutes of the meetings are kept by the company secretary.

A Board meeting shall be attended by more than half of the Directors. The Directors may attend the board meeting in person or authorise another director in writing to attend the board meeting on his or her behalf.

During the Reporting Period, the Board held 5 board meetings and convened 5 shareholders' general meetings in total. The attendance record of the Directors of the above meetings is set out below:

Name of Directors	Attendance/Number of Meetings Held During Directors' Tenure		
	Number of Board Meetings Required to Attend	Number of Annual General Meetings Required to Attend	Number of Extraordinary General Meetings Required to Attend
<i>Executive Director</i>			
Mr. Zhang Feng (<i>Note 1</i>)	5/5	1/1	4/4
Mr. Qin Yuning (<i>Note 2</i>)	–	–	–
<i>Non-executive Directors</i>			
Mr. Cui Liang	5/5	1/1	4/4
Mr. Ooi Boon Hoe (<i>Note 3</i>)	4/4	1/1	1/1
Mr. Seow Kok Leong Terence (<i>Note 4</i>)	–	–	2/2
Mr. Jiang Zidan (<i>Note 5</i>)	4/4	1/1	1/1
Mr. Fang Lei (<i>Note 6</i>)	–	–	2/2
Mr. Pay Cher Wee (<i>Note 7</i>)	4/4	1/1	1/1
Mr. Nyan Ming Ren Francis (<i>Note 8</i>)	–	–	2/2
Mr. Chen Lei (<i>Note 9</i>)	5/5	1/1	4/4
<i>Independent non-executive Directors</i>			
Mr. Zhang Zixue	5/5	1/1	4/4
Mr. Lee Man Tai	5/5	1/1	4/4
Mr. Wu Xibin	5/5	1/1	4/4

Notes:

- Mr. Zhang Feng resigned as an executive Director on 15 February 2023.
- Mr. Qin Yuning was appointed as an executive Director on 15 February 2023.
- Mr. Ooi Boon Hoe resigned as a non-executive Director on 17 October 2022.
- Mr. Seow Kok Leong Terence was appointed as a non-executive Director and a member of the Nomination Committee on 28 December 2022.
- Mr. Jiang Zidan resigned as a non-executive Director and a member of the Remuneration Committee on 17 October 2022.
- Mr. Fang Lei was appointed as a non-executive Director and a member of the Remuneration Committee on 28 December 2022.
- Mr. Pay Cher Wee resigned as a non-executive Director and a member of the Nomination Committee on 17 October 2022.
- Mr. Nyan Ming Ren Francis was appointed as a non-executive Director on 28 December 2022.
- Mr. Chen Lei was appointed as a member of the Remuneration Committee on 17 October 2022 and ceased to be a member of the Remuneration Committee on 28 December 2022.

In addition to Board meetings, a meeting of the Chairman and the independent non-executive Directors without the presence of other Directors and the management was held in 2022.

Responsibilities of the Board and Management

The Board shall act in the interests of all the Shareholders and shall be accountable to the general meeting. The Board shall mainly be responsible for: implementing the resolutions of the general meeting; determining the operation plan and investment program of the Company; formulating the annual financial budget plan and final accounting plan of the Company; formulating the profit distribution plan of the Company; determining the establishment of internal management bodies and formulating the basic management system of the Company, etc. The Company has established three committees under the Board to oversee specific matters of the Company, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated relevant duties to the respective committees, which are contained in the terms of reference of the relevant committees. Besides, the management of the Company will provide sufficient consultation to the Board and the Board committees when appropriate to facilitate the Directors in making informed decision.

Nomination, Appointment and Removal of Directors

The Company has formulated a formal and transparent procedure for the appointment of new directors to the Board. Nomination and appointment of new directors is first considered by the Nomination Committee and the Remuneration Committee whose recommendations will then be put to the Board for consideration. All newly nominated directors are subject to the approval of the shareholders at the Company's general meetings. For details of the Company's policy for nomination of Directors, please refer to the paragraph headed "Board Committees – Nomination Committee – Policy for the nomination of directors" in this annual report. Removal of members of the Board and their remuneration and payment terms are also subject to the approval of the Shareholders at the Company's general meetings.

Independent Non-executive Directors

The Company has received from each independent non-executive Director an annual confirmation of their independence in accordance with Rule 3.13 of the Listing Rules. Based on their confirmations, the Company considers that, as at the date of this annual report, the independent non-executive Directors are independent from the Company.

Independent Views of the Board

In compliance with code provision B.1.4 of the CG Code, the Company has established mechanisms to ensure that a strong independent element on, and independent views and input are available to the Board (the "**Mechanisms**"). The Mechanisms cover adequate time is allocated for discussion of issues tabled to the Board for deliberation; the minutes of the Board and Board committee meetings accurately reflect the deliberations and decisions made, including any dissenting views and if any Director had abstained from voting or deliberating on a particular matter and that Board committee meetings are conducted separately from the Board meeting to enable independent discussion during the respective meetings particularly the Audit Committee of which the members comprise all independent non-executive Directors. The Board will review the implementation and effectiveness of the Mechanisms annually. At the meeting held on 31 March 2023, the Board has reviewed the implementation and effectiveness of the Mechanisms during the Reporting Period and considered that the Mechanisms remain effective.

Corporate Governance Report (Continued)

Training and Professional Development of Directors

During the Reporting Period, all Directors have complied with code provision C.1.4 of the CG Code to participate in continuous professional development to develop and refresh their knowledge and skills by participating in seminars or trainings or reading materials on the following topics:

Name of Directors	Training contents
<i>Executive Director</i>	
Mr. Zhang Feng (<i>resigned on 15 February 2023</i>)	(1) (2)
Mr. Qin Yuning (<i>appointed on 15 February 2023</i>)	–
<i>Non-executive Directors</i>	
Mr. Cui Liang	(1) (2)
Mr. Ooi Boon Hoe (<i>resigned on 17 October 2022</i>)	–
Mr. Seow Kok Leong Terence (<i>appointed on 28 December 2022</i>)	(1) (2)
Mr. Jiang Zidan (<i>resigned on 17 October 2022</i>)	–
Mr. Fang Lei (<i>appointed on 28 December 2022</i>)	(1) (2)
Mr. Pay Cher Wee (<i>resigned on 17 October 2022</i>)	–
Mr. Nyan Ming Ren Francis (<i>appointed on 28 December 2022</i>)	(1) (2)
Mr. Chen Lei	(1) (2)
<i>Independent Non-executive Directors</i>	
Mr. Zhang Zixue	(1) (2)
Mr. Lee Man Tai	(1) (2)
Mr. Wu Xibin	(1) (2)

Notes:

- (1) Director's duties
- (2) Legal and compliance

CHAIRMAN AND GENERAL MANAGER OR DEPUTY GENERAL MANAGER

The posts of chairman and general manager or deputy general manager of the Company are separate and held by different persons to ensure their respective independence of responsibility and accountability and the balance of power and authority between them. The chairman (Mr. Cui Liang, a non-executive Director) plays a crucial role in setting the development strategy of the Company, and is responsible for ensuring that the Board is functioning properly and with well-formulated corporate governance practices and procedures, whilst Mr. Zhang Feng as the general manager for the Reporting Period and until 13 January 2023 or Mr. Qin Yuning as the deputy general manager (in charge) from 13 January 2023 is responsible for the day-to-day management of the Company's operations, including organizing the implementation of strategies set by the Board, making day-to-day decisions and coordinating overall business operations.

BOARD COMMITTEES

The Board has established the Audit Committee, the Nomination Committee and the Remuneration Committee, all with specific terms of reference clearly defining the powers and responsibilities of the respective Board committees. All Board committees are required by their terms of reference to report to the Board in relation to their decisions, findings or recommendations.

During the Reporting Period, the attendance record of Directors at the meeting of each Board Committee is as follows:

Name of Directors	Attendance/Number of Meetings Required to Attend During Directors' Tenure		
	Audit Committee	Remuneration Committee	Nomination Committee
<i>Executive Director</i>			
Mr. Zhang Feng (Note 1)	–	–	–
Mr. Qin Yuning (Note 2)	–	–	–
<i>Non-executive Directors</i>			
Mr. Cui Liang	–	–	2/2
Mr. Ooi Boon Hoe (Note 3)	–	–	–
Mr. Seow Kok Leong Terence (Note 4)	–	–	–
Mr. Jiang Zidan (Note 5)	–	2/2	–
Mr. Fang Lei (Note 6)	–	–	–
Mr. Pay Cher Wee (Note 7)	–	–	2/2
Mr. Nyan Ming Ren Francis (Note 8)	–	–	–
Mr. Chen Lei (Note 9)	5/5	–	–
<i>Independent Non-executive Directors</i>			
Mr. Zhang Zixue	5/5	3/3	2/2
Mr. Lee Man Tai	5/5	–	2/2
Mr. Wu Xibin	–	3/3	2/2

Notes:

- Mr. Zhang Feng resigned as an executive Director on 15 February 2023.
- Mr. Qin Yuning was appointed as an executive Director on 15 February 2023.
- Mr. Ooi Boon Hoe resigned as a non-executive Director on 17 October 2022.
- Mr. Seow Kok Leong Terence was appointed as a non-executive Director and a member of the Nomination Committee on 28 December 2022.
- Mr. Jiang Zidan resigned as a non-executive Director and a member of the Remuneration Committee on 17 October 2022.
- Mr. Fang Lei was appointed as a non-executive Director and a member of the Remuneration Committee on 28 December 2022.
- Mr. Pay Cher Wee resigned as a non-executive Director and a member of the Nomination Committee on 17 October 2022.
- Mr. Nyan Ming Ren Francis was appointed as a non-executive Director on 28 December 2022.
- Mr. Chen Lei was appointed as a member of the Remuneration Committee on 17 October 2022 and ceased to be a member of the Remuneration Committee on 28 December 2022.

Audit Committee

The Audit Committee was established by the Company with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. Its main responsibilities are to review and supervise the financial report and internal audit system of the Company, oversee the audit process, engage, renew or remove external auditors, review and oversee the existing and potential risks of the Company and perform other duties and responsibilities as assigned by the Board.

As at 31 December 2022, the Audit Committee consisted of two independent non-executive Directors, namely Mr. Lee Man Tai and Mr. Zhang Zixue and one non-executive Director, namely Mr. Chen Lei, and the chairman of the Audit Committee was Mr. Lee Man Tai.

During the Reporting Period, the Audit Committee held 5 meetings and performed the following duties:

- (a) reviewed the Company's annual report and audited financial statements for the year ended 31 December 2021;
- (b) reviewed the Company's interim report and interim unaudited financial statements for the six months ended 30 June 2022;
- (c) reviewed the non-exempted continuing connected transactions and connected transactions of the Company;
- (d) considered the re-appointment of Grant Thornton Hong Kong Limited ("**Grant Thornton**") as the independent auditor during the Reporting Period and made recommendations to the Board; and
- (e) reviewed the risk management and internal control procedures of the Company.

The Audit Committee has, together with the management of the Company and the external auditors, reviewed the audited financial statements in this annual report. They have also discussed the key risks and the internal control and risk management issues, and reviewed the audit plan, internal control performance and the effectiveness of the internal control system.

Remuneration Committee

The Remuneration Committee was established by the Company with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The Remuneration Committee has adopted the model described in code provision E.1.2(c) of the CG Code in its terms of reference that it shall make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. Its other main responsibilities are to make recommendations to the Board on the remuneration policy and structure for the Directors, the Supervisors and senior management, on the establishment of a formal and transparent procedure for the formation of a remuneration policy and on the remuneration of non-executive Directors, and review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

On 17 October 2022, Mr. Jiang Zidan resigned as a member of the Remuneration Committee and Mr. Chen Lei was appointed as a member of the Remuneration Committee. On 28 December 2022, Mr. Fang Lei was appointed as a member of the Remuneration Committee and Mr. Chen Lei ceased to be a member of the Remuneration Committee. As at 31 December 2022, the Remuneration Committee consisted of two independent non-executive Directors, namely Mr. Zhang Zixue and Mr. Wu Xibin and one non-executive Director, namely Mr. Fang Lei, and the chairman of the Remuneration Committee was Mr. Zhang Zixue.

Corporate Governance Report (Continued)

During the Reporting Period, the Remuneration Committee held 3 meetings and performed the following duties:

- (a) considered the remuneration of the executive Directors, non-executive Directors, independent non-executive Directors and Supervisors of the Company for the year of 2021;
- (b) reviewed the Company's remuneration policy; and
- (c) considered the remuneration package for the newly appointed non-executive Directors, executive Director and senior management and made recommendations to the Board.

Pursuant to code provision E.1.5 of the CG Code, details of the remuneration of members of the senior management by band are as follows:

Remuneration band (RMB)	Number of persons
0 – 500,000	4
500,001 – 1,000,000	1
1,000,001 – 1,500,000	–

Further details of the remunerations of Directors and the five highest paid employees are disclosed in Notes 11 and 12 to the financial statements of this annual report.

Nomination Committee

The Nomination Committee was established by the Company with written terms of reference in compliance with the CG Code. Its main responsibilities are to review the structure, size and members of the Board, make recommendations to the Board on the appointment and removal of Directors, and review independence of independent non-executive Directors.

On 17 October 2022, Mr. Pay Cher Wee resigned as a member of the Nomination Committee. On 28 December 2022, Mr. Seow Kok Leong Terence was appointed as a member of the Nomination Committee. As at 31 December 2022, the Nomination Committee consisted of three independent non-executive Directors, namely Mr. Lee Man Tai, Mr. Zhang Zixue and Mr. Wu Xibin and two non-executive Directors, namely Mr. Cui Liang and Mr. Seow Kok Leong Terence, and the chairman of the Nomination Committee was Mr. Cui Liang.

During the Reporting Period, the Nomination Committee held 2 meetings and performed the following duties:

- (a) considered the suitability of the nominees of the non-executive Directors (Mr. Seow Kok Leong Terence, Mr. Nyan Ming Ren Francis and Mr. Fang Lei) and made recommendations to the Board;
- (b) assessed the independence of independent non-executive Directors; and
- (c) reviewed the training and continuous professional development of director and senior management of the Company.

Policy for the Nomination of Directors

The directors shall be elected or replaced at the general meeting of shareholders and serve a term of three years. Directors are eligible for re-election upon expiration of their terms of office. The Chairman of the Board shall be elected and removed by more than half of all the members of the Board. The term of the Chairman is three years and may be re-elected. The term of independent non-executive directors is three years and subject to re-election with a term of not more than nine years, unless otherwise stipulated by relevant laws and regulations.

The first session of director candidates shall be nominated by the promoters; the next session of director candidates shall be nominated by the last Board and shareholders who individually or jointly hold more than 3% of the Company's shares. In terms of the specific procedures for nomination of the Board of last session, in order to control the number of the directors of the last session within the number specified in the Articles of Association, a list of proposed candidates for directors based on the number of proposed candidates for election shall be submitted to the Board for review. After the Board has reviewed and passed a resolution to determine the candidates for directors, it shall submit a written proposal to the general meeting. The nomination methods and procedures of independent non-executive directors shall be implemented in accordance with the relevant provisions of laws, administrative regulations and departmental rules.

In respect of any shareholder's submission to the Company of (i) a notice of his intention to recommend a director candidate and (ii) a notice to the Company by that the director candidate indicates his acceptance of nomination, the deadline for giving the said notice shall not be earlier than the latest date of issue of the notice of such election meeting nor expires 7 days prior to the date of the meeting; however, such notice shall be given within at least 7 days.

- A. The Nomination Committee will recommend to the Board for the selection, election and re-election of a Director including an independent non-executive Director in accordance with the following procedures and process. The Nomination Committee (i) will, giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort; (ii) may consult any source it considers appropriate in identifying or selecting suitable candidates, such as referrals from existing shareholders and Directors with due consideration given to the criteria which include but are not limited to: (a) diversity in the aspects of, amongst others, gender, age, cultural and educational background, professional experience, skills, knowledge and length of service; (b) commitment for responsibilities of the Board in respect of available time and relevant interest; (c) qualifications, both academic and professional, including accomplishment and experience in the relevant industries in which the Company's business is involved; (d) independence (for independent non-executive Directors); (e) reputation for integrity.
- B. Where an executive Director, a non-executive Director and a candidate for independent non-executive Director are considered, the Remuneration Committee will make the recommendation to the Board on the policy and structure for the remuneration;
- C. The Board may select to arrange for the selected candidate to be interviewed by the members of the Board who are not members of the Nomination Committee and the Board will thereafter deliberate and decide the appointment as the case may be;
- D. All appointment of Directors will be confirmed by the filing of the consent to act as director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be) to be filed with the relevant regulatory authorities, if required; and

- E. Where the Board proposes a resolution to elect or re-elect a candidate as Director at the following general meeting, the relevant information of the candidate will be disclosed in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

Board Diversity Policy

The Company has adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of the Board in order to enhance the effectiveness of the Board. Pursuant to the board diversity policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. The ages of Directors of the Company range from 36 to 55, and all Directors have extensive working experience in their respective fields, including strategic management, business development, legal, financial, auditing and accounting experience.

In identifying and selecting suitable candidates to serve as a director of the Company, the Nomination Committee would consider the above criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendations to the Board. The Board and the Nomination Committee will continue to apply the principle of appointments based on merits with reference to the board diversity policy as a whole.

Having reviewed the Board composition, the Board recognises the importance and benefits of gender diversity at the Board level, which can be improved given its current composition of all male directors, and shall continue to take initiatives to identify female candidate(s) to enhance the gender diversity among the Board members. We will appoint, subject to the above, at least one female representation in our Board before 31 December 2024, We will continue with our endeavor to increase female representation in our Board.

Our diversity policy including the gender diversity was generally followed in the workforce throughout the Company for the year ended 31 December 2022. As at the date of this annual report, 78.5% of our total workforce were male and 21.5% of our total workforce were female.

Corporate Governance Report (Continued)

SUPERVISORY COMMITTEE

The Supervisory Committee is the supervisory authority of the Company and shall be accountable to the general meeting of the Shareholders. Supervisors shall act independently to protect the legal interests of the Shareholders and the Company in accordance with the relevant laws and regulations and the Articles of Association.

The authority and duties of the Supervisory Committee include but not limited (a) to review the financial statements, business report and profit distribution plan prepared by the Board and may retain certified accountant or certified auditor to review the financial information; (b) to supervise the financial activities of the Company; (c) to demand the rectification of acts of the Directors, Chairman and senior management which are against the interests of the Company; and (d) to exercise other power, authority and duties in accordance with the Articles of Association.

On 2 August 2022, Mr. Wang Wei resigned as an employee representative Supervisor and the chairman of the Supervisory Committee. Mr. Gao Zhiyuan was elected as the employee representative Supervisor at the employee representatives' meeting of the Company held on 2 August 2022 and was appointed as the chairman of the Supervisory Committee at the meeting of the Supervisory Committee convened on 19 August 2022. As at 31 December 2022, the Supervisory Committee consists of three members, namely Mr. Gao Zhiyuan, Mr. Li Weiqing and Mr. Tham Wai Kong, and the chairman of the Supervisory Committee was Mr. Gao Zhiyuan.

Mr. Li Weiqing and Mr. Tham Wai Kong shall serve a term of three years and Mr. Gao Zhiyuan shall serve a term commencing from 2 August 2022 until the expiry of the current session of the Supervisory Committee and each Supervisor may be re-elected for successive terms.

Particulars of the Supervisors are set out in the section headed "Brief Biographies Details of Directors, Supervisors and Senior Management" of this annual report. The work of the Supervisory Committee is set out in the Supervisors' Report in this annual report.

CORPORATE GOVERNANCE FUNCTIONS

The corporate governance function of the Company is carried out by the Board with written terms of reference in compliance with code provision A.2.1 of the CG Code. The main responsibilities are to develop and review the policies and practices on corporate governance of the Company, review and monitor the Company's policies and practices on compliance with legal and regulatory requirements, review and monitor the training and continuous professional development of Directors and senior management and review the Company's compliance with the CG code and the disclosure in the Corporate Governance Report in this annual report.

During the Reporting Period, the Board performed the following duties:

- (a) reviewed the Company's policies and practices on corporate governance;
- (b) reviewed the training and continuous professional development of the Directors; and
- (c) reviewed the Company's compliance with the CG Code and the disclosure in the corporate governance report.

EXTERNAL AUDITOR'S REMUNERATION

For the Reporting Period, the remuneration paid and payable to the external auditor of the Company in respect of audit and non-audit services were HK\$740,000 and HK\$90,000, respectively, which has been reviewed and approved by the Audit Committee. The non-audit services were in relation to the Company's 2022 interim report.

The Audit Committee had considered the external auditor's dependence and objectivity as required under the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accounts, reviewed the terms of their engagement, nature and scope of the audit and reporting obligations.

The Audit Committee is satisfied with the findings of their review of the engagement process.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparation and publication of the timely financial statements and ensure that they are prepared in accordance with the statutory requirements and applicable accounting standards. In preparing the accounts for the year ended 31 December 2022, the Directors have adopted suitable accounting policies which are pertinent to the Company's operations and relevant to the financial statements and have presented an understandable assessment of the Company's position and prospects.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, the accounts is prepared on a going concern basis and they are not aware of any material uncertainties relating to the events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

A statement by the external auditor about their reporting responsibilities is set out on pages 125 to 129 of this annual report.

JOINT COMPANY SECRETARIES

During the Reporting Period, Mr. Zheng Shiqiang, joint company secretary of the Company, and Ms. Ho Yin Kwan, another joint company secretary from SWCS Corporate Services Group (Hong Kong) Limited, confirmed that they have complied with the requirements on a minimum of 15 hours dedicated for relevant professional training as set out in Rule 3.29 of the Listing Rules. On 2 August 2022, Ms. Lau Jeanie resigned as the joint company secretary of the Company and Ms. Ho Yin Kwan (a vice president of SWCS Corporate Services Group (Hong Kong) Limited) was appointed as a joint company secretary of the Company. The main contact person of Ms. Ho Yin Kwan is Mr. Zheng Shiqiang, one of the joint company secretaries of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

One of the major functions and responsibilities of the Board is to maintain adequate risk management and internal control systems to safeguard shareholders' investments and the Company's assets. The risk management and internal control measures are designed to manage and mitigate rather than eliminate the risks inherent in the Company's business, and can only provide reasonable assurance against material misstatement, loss or fraud.

The Company reviews the effectiveness of the risk management and internal control systems every year. The review covers all important aspects that need to be monitored, including finance, operation and compliance as well as risk management. The Company has defined the lines of authority and monitoring responsibilities for risk management and internal control of each business unit of the Company, and established a risk management department so as to ensure clear division of responsibilities and effective accountability. The Company has also set up internal procedures and management manuals to supervise the operations.

To establish effective risk management and internal control, the Company has adopted the following measures:

Compliance Control

The Company has established a set of compliance management mechanism to promote compliance operation of the Company. The Company has also complied with the requirements under the Listing Rules, SFO and the Guidelines on Disclosure of Inside Information which regulates information disclosure. The Company has formulated and shall strictly implement the Management Regulations Governing Information Disclosure (the "**Regulations**"), and shall gradually establish the comprehensive process of reporting, identifying and disclosing inside information; the Supervisory Committee shall review the implementation of the Regulation from time to time and urge the Board to rectify any deviation from the Regulation. In order to deal with the compliance in connected transactions, the Company has fully established an early warning system for connected transactions. The Company's securities affairs office, finance office and other departments closely cooperate to verify the amount of connected transactions every month. From the two dimensions of "time schedule" and "transaction amount", the Company has implemented and differentiated color warnings for continuing connected transactions, and strengthened the supervision and control of the internal audit department, so as to prevent the occurrence of violations.

Operation Control

The Company has endeavored to establish a systematic and complete corporate operational monitoring mechanism to reduce corporate risks. The Company has formulated a contract management system, seal management and other systems to strengthen contract risk control. The Company has established and improved the safety responsibility system and safety management system to ensure safe production and operation of the port.

Finance Control

The Company has strictly abided by a series of financial management regulations and measures, including business outsourcing, fixed assets leasing, receivables, financing management and notes management, etc. to effectively prevent and reduce financial risks. The Company has introduced comprehensive budget management and promoted budget's process control, which provide quantitative index of finance and operation for the Board and the management. The Audit Committee communicates with auditors regularly to review the regular reports, as well as supervise the financial operation of the Company. The Company also pays high attention to the job qualifications and professional integrity of accounting and financial personnel, and the Company takes full consideration of resources and budget of continuous trainings.

Internal Audit Control

The Company establishes an internal audit department with corresponding supervision and audit responsibilities in order to assist the Audit Committee and the Supervisory Committee to review and supervise the factuality, legitimacy and efficiency for the Company's financial condition, construction projects and related economic activities.

The Board and the Audit Committee has conducted its regular and annual review of the effectiveness of the Company's risk management and internal control systems in respect of the Reporting Period to ensure effective measures are in place to protect material assets and identify business risks of the Company. Such review did not reveal any major issues and the Board considers the risk management and internal control systems effective and adequate.

INVESTOR RELATIONS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and understanding of the Company's business, performance and strategies. The secretary of the Board is responsible for the overall coordination and arrangement of the management work of investor relations and the investor relations personnel is responsible for the specific implementation. The Company is committed to setting up an efficient communication bridge between management and investors. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions. The Company has established several communication channels, including (a) the annual and extraordinary general meetings, road shows, reverse roadshows as well as inviting investors to pay site visits, which provide a forum for the Shareholders to communicate directly with the Board; (b) printed corporate documents mailing to the Shareholders; (c) announcement disseminating the latest activities of the Company on the websites of the Company and the Stock Exchange; and (d) the Company's website providing an electronic means of communication. Furthermore, the secretary of the Board regularly reports to the management on the investors' perception of the Company and relevant development, so that the management can understand the concerns of investors and the changes of relevant policies and requirements in time, thus improving its work on investor relations.

The Company reviewed the implementation and effectiveness of the shareholders' communication policy and considered it to be effective during the Reporting Period.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meeting

Pursuant to the Articles of Association, shareholders holding individually or collectively 10% or more of the Company's shares may request in writing for the convening of an extraordinary general meeting and shall follow the following procedures:

- (a) Two or more shareholders individually or jointly holding 10% or more of the shares carrying voting rights at the meeting sought to be held may sign one or more written requests of identical form of content requesting the Board to convene an extraordinary shareholders' general meeting and stating the subject of the meeting.
- (b) The Board shall convene an extraordinary general meeting as soon as possible after having received the aforesaid written request.
- (c) If the Board fails to issue a notice of convening such meeting within 30 days upon receipt of the above written request, the shareholders who made such request may request the Supervisory Committee to convene the extraordinary general meeting.
- (d) If the Supervisory Committee fails to issue a notice of convening such meeting within 30 days upon receipt of the above written request, shareholders, for more than 90 consecutive days, individually or jointly holding 10% or more of the shares carrying voting rights at the meeting sought to be held may convene the meeting of their own accord within four months upon the Board having received such request. The convening procedures shall, to the greatest extent possible, be identical to procedures according to which the shareholders' general meetings are to be convened by the Board.

Procedures for Proposal at the General Meeting

Pursuant to the Articles of Association, shareholders individually or jointly holding 3% or more of the total voting shares of the Company are entitled to propose new resolutions in writing to the Company and submit them to the convener 10 days before the meeting. The convener of the shareholders' general meeting shall issue a supplementary notice of the shareholders' general meeting to other shareholders within two days upon the receipt of such proposal.

Enquiry to the Board

Shareholders and investors of the Company may send their enquiries and concerns to the Company by addressing them to the office of the Board. The contact details are as follows:

Office of the Board

Telephone: +86 0633 7381 569

Fax: +86 0633 7381 530

E-mail: rzgyl@rzportjurong.com

Address: South End, Haibin 5th Road, Rizhao City, Shandong Province, PRC

DIVIDEND POLICY

The Board may declare dividends after considering (a) the operational results, financial position, cash requirements and availability and capital expenditure requirements of the Company; (b) the previous dividend payout ratio of the Company; (c) reference to other companies in the same industry listed on the Stock Exchange; and (d) other factors it may deem relevant at that time. Any declaration and payment and the amounts of dividends shall be in accordance with the Articles of Association and the relevant laws and regulations of the PRC.

CONSTITUTIONAL DOCUMENTS

During the Reporting Period, there had been no change in the Company's constitutional documents.

Brief Biographies of Directors, Supervisors and Senior Management

DIRECTORS

Executive and Non-executive Directors

Mr. Cui Liang (崔亮), aged 55, was appointed as the chairman of the Board and non-executive Director of the Company on 24 November 2021. He is mainly responsible for overseeing the management and strategic development of the Company.

Mr. Cui graduated from Shandong Normal University with a major in Chinese Language and Literature in 1993, holds a college degree and is a political engineer. He successively served as deputy manager of Third Harbor Company of Rizhao Port (日照港第三港務分公司) from August 2008 to November 2013; chief dispatcher of production business department of Rizhao Port Group from November 2013 to September 2015; manager of marketing branch of Rizhao Port Group from September 2015 to January 2017; head of the production business department of Rizhao Port Group from January 2017 to January 2020; member of the Party Committee and chairman of the Labor Union of Rizhao Port Group from January 2020 to August 2021 and chairman of the Board of Supervisors of Rizhao Port from July 2020 to August 2021.

Mr. Cui is currently a member of the Party Committee of Rizhao Port; a director and the vice chairman of Rizhao Port Shangang Terminal Co., Ltd. (日照港山鋼碼頭有限公司); the chairman of Rizhao Port COSCO Shipping Logistics Co., Ltd. (日照港中遠海運物流有限公司); a director of Rizhao Port Container Development Co., Ltd. (日照港集裝箱發展有限公司) and the chairman of Shandong Port Changlong Shipping Co., Ltd. (山東港航昌隆海運有限公司).

Mr. Qin Yuning (秦玉寧), aged 49, was appointed as an executive Director and the authorised representative of the Company under Rule 3.05 of the Listing Rules on 15 February 2023. He is primarily responsible for overseeing strategic development, overall operation and management of the Company.

Mr. Qin has over 17 years in the port industry. He has served as the deputy general manager of the Company since January 2023. From March 2020 to July 2021 and since November 2022, he has served as a member of the party committee and deputy general manager (executive level) of the Company. From July 2021 to November 2022, he served as a member of the party committee and deputy manager of the First Port Branch of Rizhao Port Co., Ltd. (日照港股份有限公司第一港務分公司). From April 2019 to March 2020, he served as a member of the party committee and deputy general manager of Rizhao Port Jurong Company (日照港裕廊公司). From August 2010 to April 2019, he served various positions in the Third Port Branch of Rizhao Port Co., Ltd. (日照港股份有限公司第三港務分公司), including member of the party committee and deputy manager, secretary and director of the party branch of the production dispatching center, director of the production scheduling center and head of the production and business department. From May 2005 to August 2010, he worked in the warehouse team and production and business department of Rizhao Port No. 3 Company (日照港三公司).

Mr. Qin obtained a bachelor's degree in management specialising in national economic management from Qingdao University.

Mr. Seow Kok Leong Terence (蕭國良), aged 53, was appointed as a non-executive Director on 28 December 2022. He is primarily responsible for participating in formulating the Company's corporate and business strategies.

Mr. Seow has acted as the chief executive officer of Jurong Port since September 2022. Mr. Seow served as the assistant chief executive officer of Enterprise Singapore from 2011 to 2014. From 2014 to August 2022, Mr. Seow served as the assistant chief executive officer of JTC Corporation. Mr. Seow graduated from the National University of Singapore with a Bachelor of Arts degree. He also has a master's degree in Public Administration from Columbia University, through a scholarship awarded by Enterprise Singapore. In 2018, Mr. Seow was awarded the Public Administration Medal (Silver) by the Government of Singapore in recognition of his contribution to the public service.

Brief Biographies of Directors, Supervisors and Senior Management (Continued)

Mr. Nyan Ming Ren Francis (嚴明仁), aged 51, was appointed as a non-executive Director on 28 December 2022. He is primarily responsible for participating in formulating the Company's corporate and business strategies.

Mr. Nyan has acted as the chief financial officer of Jurong Port since October 2022. Mr. Nyan served in various roles at DBS Singapore from 1996 to 2019, he was the Managing Director and Head of Capital and Funding prior to leaving DBS Singapore. From 2019 to September 2022, he served as the Director of Treasury and Payment at JTC Corporation. Mr. Nyan graduated with a Bachelor of Arts degree (First Class Honours) from University of Oxford under DBS Overseas Scholarship Award. He attained his master's degree of arts with Benjamin Batson Gold Medal from the National University of Singapore. Mr. Nyan's professional qualifications include Chartered Financial Analyst, Financial Risk Manager and Singapore Chartered Accountant Qualification Programme.

Mr. Fang Lei (房磊), aged 52, was appointed as a non-executive Director on 28 December 2022. He is primarily responsible for participating in formulating the Company's corporate and business strategies.

Mr. Fang has a title of senior economist. He graduated from Shandong University in 1990 with a bachelor's degree in scientific socialism, and obtained a master's degree in law from the University of International Business and Economics in 2001. Mr. Fang has extensive experience in port management, and has been working in Rizhao Port Group since 1990. From August 2004 to November 2005, he served as the deputy head of the investment promotion section of the corporate development department of Rizhao Port Group. From November 2005 to April 2011, he served as the head of the investment promotion section of the corporate development department of Rizhao Port Group. From April 2011 to September 2011, he served as the assistant to the general manager of Rizhao Port Jurong Terminals Co., Ltd. From September 2011 to December 2016, he was appointed as the deputy general manager, financial controller and chairman of labor union of Rizhao Port Jurong Terminals Co., Ltd. From December 2016 to June 2018, he served as the deputy director of the corporate development department of Rizhao Port Co., Ltd. (presiding over the work). Mr. Fang has served as the director of the corporate development department of Rizhao Port from March 2019 to November 2022, and from November 2022 to present, he has served as Party Secretary and Executive Vice President of the Party School of Rizhao Port Co., Ltd..

Mr. Chen Lei (陳磊), aged 36, was appointed as a non-executive Director on 20 May 2021. He is mainly responsible for participating in formulating the Company's corporate and business strategies.

Mr. Chen has held various positions in Rizhao Port Group since 2012. Mr. Chen worked in the financial budget department of Rizhao Port Group as a financial supervisor from August 2012 to December 2016. He worked in asset finance department of Rizhao Port Group as a supervisor from December 2016 to February 2020. From February 2020 to April 2020, he concurrently served as the deputy minister of asset finance department and the financial statement and accounting management of Rizhao Port Group. He concurrently served as the deputy minister of asset finance department of Rizhao Port Group and the financial statement and accounting management second level supervisor from April 2020 to June 2020. He served as the deputy minister of the asset finance department of Rizhao Port Group from June 2020 to September 2020 and has served as the deputy minister of the financial management department of Rizhao Port Group since September 2020. Mr. Chen graduated from Chang'an University (長安大學) with a major in accounting in 2012, obtaining a master's degree in management.

Brief Biographies of Directors, Supervisors and Senior Management (Continued)

Independent Non-executive Directors

Mr. Zhang Zixue (張子學), aged 54, was appointed as an independent non-executive Director of the Company on 20 December 2018. Mr. Zhang is primarily responsible for supervising and providing independent judgment to the Board.

From May 1997 to September 2016, Mr. Zhang worked at the China Securities Regulatory Commission and held positions of director of supervision department of listed companies, full-time member of administrative penalty committee and deputy chief of the administrative punishment committee. He has been serving as a professor at Civil, Commercial and Economic Law School of China University of Political Science and Law (中國政法大學民商經濟法學院) since September 2016. He has been an independent director of Bank Of Communications Schroder Fund Management Co., Ltd. (交銀施羅德基金管理有限公司) since October 2018. He has also been the independent director of Zhejiang Juhua Co., Ltd (浙江巨化股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600160) since December 2019, Lian Chu Securities Co., Ltd. (聯儲證券有限責任公司) since December 2019 and TangShan Port Group Co., Ltd.* (唐山港集團股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 601000) since May 2020, and an independent director of Shenzhen Prince New Materials Co., Ltd. (深圳王子新材料股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002735) from December 2018 to 21 February 2022.

Mr. Zhang obtained a bachelor's degree in law in July 1989 and a master's degree in litigation law in January 1993 from Renmin University of China (中國人民大學). He also received a master of law degree from Temple University in the U.S. in May 2002. He received his doctorate degree in corporate law and securities law from China University of Political Science and Law (中國政法大學) in June 2008. Mr. Zhang was granted the Certificate of Qualification of Lawyer of the People's Republic of China by the Beijing Judicial Bureau in June 1991.

Brief Biographies of Directors, Supervisors and Senior Management (Continued)

Mr. Lee Man Tai (李文泰), aged 46, was appointed as an independent non-executive Director of the Company on 17 December 2019. Mr. Lee is primarily responsible for supervising and providing independent judgment to the Board.

Mr. Lee has approximately 20 years of working experience in financial industry. From October 2006 to October 2012, he acted as the chief financial officer and company secretary of China Yuanbang Property Holdings Limited (中國元邦房地產控股有限公司), a company listed on Mainboard of the Singapore Exchange Limited (stock code: CYBP.SP or BCD.SI). From October 2012 to May 2014, he acted as the chief financial officer and company secretary of China 33 Media Group Limited (中國三三傳媒集團有限公司), a company listed on GEM of the Stock Exchange (stock code: 8087). He acted as the chief financial officer and company secretary of Flying Financial Service Holdings Limited (匯聯金融服務控股有限公司), a company listed on GEM of the Stock Exchange (stock code: 8030) from July 2014 to April 2015 and from August 2014 to April 2015, respectively. He also acted as the financial controller and company secretary of Chanco International Group Limited (卓高國際集團有限公司) (now known as China International Development Corporation Limited (中聯發展控股集團有限公司)), a company listed on Main Board of the Stock Exchange (stock code: 264) from April 2015 to January 2016 and from April 2015 to September 2015, respectively. Since January 2016, Mr. Lee has been an independent non-executive director of China Energy Development Holdings Limited (中國能源開發控股有限公司), a company listed on Main Board of the Stock Exchange (stock code: 228). Since November 2016, he has been an independent non-executive director of Progressive Path Group Holdings Limited (進昇集團控股有限公司), a company listed on Main Board of the Stock Exchange (stock code: 1581). Since June 2021, he has served as an independent non-executive director of Yunhong Guixin Group Holdings Limited (運鴻硅鑫集團控股有限公司) (previously known as MEIGU Technology Holding Group Limited (美固科技控股集團有限公司)), a company listed on GEM of the Stock Exchange (stock code: 8349). Mr. Lee has also served as the chief financial officer and company secretary of Beaver Group (Holding) Company Limited (永勤集團(控股)有限公司), a company listed on GEM of the Stock Exchange (stock code: 8275), since June 2021 and August 2021, respectively.

Mr. Lee graduated from Lingnan University, Hong Kong in 2000 with a bachelor's degree in business administration and The Hong Kong Polytechnic University in 2010 with a master's degree in business administration. He was admitted as a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants in 2012. He obtained the qualification as a licensed representative for advising on dealing in securities (type 1) and advising on corporate finance (type 6) promulgated by the Securities and Futures Commission in 2017 and became the person-in-charge in 2020.

Brief Biographies of Directors, Supervisors and Senior Management (Continued)

Mr. Wu Xibin (吳西彬), aged 53, was appointed as an independent non-executive Director of the Company on 10 January 2019. Mr. Wu is primarily responsible for supervising and providing independent judgement to the Board.

Mr. Wu served as securities lawyer at Henan Jinyan Law Firm (河南金研律師事務所) from August 1993 to October 2001 and Beijing Liwen Law Firm (北京李文律師事務所) from October 2001 to August 2006. From May 2006 to February 2013, he served as partner at Beijing Honor Base Law Firm (北京市衡基律師事務所). He has been the senior partner of Beijing Great Wall Law Firm (北京華城律師事務所) since June 2013.

He has been an independent director at NAURA Technology Group Co., Ltd. (北方華創科技集團股份有限公司) (a company listed on Shenzhen Stock Exchange, stock code: 002371) since October 2016. He has been an independent director of Huayuan Property Co., Ltd. (華遠地產股份有限公司, a company listed on the Shanghai Stock Exchange (stock code: 600743)) since May 2021 and has served as an external non-executive director of China Siwei Surveying and Mapping Technology Co., Ltd. (中國四維測繪技術有限公司) (a holding subsidiary of China Aerospace Science and Technology Corporation) since December 2021.

Mr. Wu obtained his bachelor's degree in law at Zhongnan College of Political Science and Law (中南政法學院, later merged into Zhongnan University of Economics and Law (中南財經政法大學)) in July 1992. He received his master's degree in business administration at China Europe International Business School (中歐國際工商學院) in September 2012. Mr. Wu was granted the securities law business qualification certificate by the Ministry of Justice of People's Republic of China in October 1996.

Brief Biographies of Directors, Supervisors and Senior Management (Continued)

SUPERVISORS

Mr. Gao Zhiyuan (高志願), aged 35, was elected as the employee representative Supervisor at the employee representatives' meeting of the Company held on 2 August 2022 and was appointed as the chairman of the Supervisory Committee at the meeting of the Supervisory Committee convened on 19 August 2022. Mr. Gao is mainly responsible for supervising the performance of duties by Directors and senior management.

Mr. Gao has rich experience in accounting and auditing. Mr. Gao served as the accountant of the financial department of the Company from June 2011 to October 2015, the deputy head of the business department of the Company from October 2015 to January 2017, the deputy captain of the operation team of the Company from January 2017 to April 2018, and the deputy captain of warehouse team of the Company from April 2018 to July 2019. Mr. Gao worked as the deputy director of the general office of the Company from July 2019 to October 2020 while also serving as the deputy director of the internal audit office of the Company from August 2019 to October 2020 and became the director of the general office of the Company (Shandong Port Group executive level) from October 2020 to October 2021. Mr. Gao was also the member of the Party Branch Committee of the Company from July 2019 to October 2021. Since October 2021, Mr. Gao has served as the secretary of the Institutional Party Branch Committee of the Company and the office manager of the Company (Shandong Port Group supervisor level).

Mr. Gao graduated from Yanshan College of Shandong Economics University (山東經濟學院燕山學院) with a bachelor's degree in financial management in July 2010. In April 2021, Mr. Gao was awarded the master's degree of business administration by Shanghai Maritime University (上海海事大學). Mr. Gao obtained the qualification of junior accountant in 2015 and the qualification of intermediate economist in 2018.

Mr. Li Weiqing (李維慶), aged 56, was appointed as a Supervisor of the Company on 26 February 2018. Mr. Li is primarily responsible for supervising the performance of duties by Directors and senior management.

Mr. Li worked at Lanshan Port Authority (嵐山港務局) and held positions of deputy chief of the accounting division from June 1989 to January 1993, chief of the accounting division from January 1993 to September 1997, chief accountant from September 1997 to July 2002, and deputy director from July 2002 to May 2003. He served as deputy manager at Rizhao Port Group Lanshan Port Company Limited (日照港集團嵐山港務有限公司) from May 2003 to September 2015 and from December 2016 to November 2017. He worked at Rizhao Port Group Lanshan Port Company Limited as deputy secretary of the party committee from September 2015 to December 2016. He has been the deputy director of audit department at Rizhao Port since December 2017. He worked as the director of the legal audit department at Rizhao Port from March 2019 to November 2022. Mr. Li is currently an audit specialist of the legal audit department at Rizhao Port.

Mr. Li has been director at Rizhao Jinqiao Investment Co., Ltd. (日照金橋投資有限公司) since July 2003, Rizhao Lanshan Wanhe Liquefaction Dock Co., Ltd. since March 2007.

Mr. Li was recognized as senior accountant by Accounting Qualification Senior Review Committee of Shandong Province in December 2003.

Mr. Li graduated from Shandong Economics College (山東經濟學院) (later merged into Shandong University of Finance and Economics (山東財經大學)) in statistics and accounting in June 1985.

Brief Biographies of Directors, Supervisors and Senior Management (Continued)

Mr. Tham Wai Kong (譚偉光), aged 49, was appointed as a Supervisor of the Company on 14 May 2014. Mr. Tham is primarily responsible for supervising the performance of duties by Directors and senior management.

Mr. Tham served as senior lawyer at Allen & Gledhill LLP from 1999 to 2003. He served as Asian legal adviser at Tyco International Inc, Asia from 2003 to 2007 and Asian legal adviser at United Technologies Corporation from 2007 to 2012. He has been vice president of legal and company secretariat at Jurong Port Pte Ltd since February 2013.

Mr. Tham graduated from King's College London with a bachelor's degree of Laws (Honors) in 1997. Mr. Tham was admitted to the Singapore Bar in 1999.

SENIOR MANAGEMENT

Mr. Qin Yuning (秦玉寧) is the deputy general manager and also the executive Director of the Company. For Mr. Qin's biographical details, please refer to the paragraph headed "Directors - Executive and Non-executive Directors" above.

Mr. Yang Juntian (楊君田), aged 52, was appointed as the deputy general manager of the Company on 12 August 2021, and he was mainly responsible for disciplinary committee and workers union. He is a senior economist and has obtained a qualification certificate as a lawyer. Mr. Yang graduated from the People's Police School of the Ministry of Communications, majoring in shipping and police in July 1989, and later obtained a university degree in law from East China University of Political Science and Law.

Mr. Yang Juntian served as a member of the Second Police Station of Rizhao Port Public Security Bureau from July 1989 to March 1995, a member of the Public Security Section of Rizhao Port Public Security Bureau from March 1995 to January 2000, a legal adviser of the legal affairs department of Rizhao Port Authority from January 2000 to May 2003, a legal adviser of the legal affairs section of the corporate development department of Rizhao Port Group from May 2003 to August 2004, the deputy chief of the legal affairs section of the corporate development department of Rizhao Port Group from August 2004 to November 2005, the chief of the legal affairs section of the corporate development department of Rizhao Port Group from November 2005 to September 2011, the deputy director of the operation and management department of Rizhao Port Group from September 2011 to December 2016, an executive director of Shandong Rizhao Coking Power Company (山東日照焦電公司) (middle-level remuneration of Rizhao Port Group) from November 2015 to November 2017, the deputy director of the corporate development department of Rizhao Port Group from November 2017 to June 2018, a member of the Party Committee, deputy manager and chairman of the labor union of Third Company of Rizhao Port (日照港股份三公司) from June 2018 to March 2020, a member of the Party Committee, deputy manager and chairman of the labor union (senior executive level of the Shandong Port Group) of Third Company of Rizhao Port (日照港股份三公司) from March 2020 to April 2021, a member of the Party Committee, deputy manager and chairman of the labor union of First Company of Rizhao Port (日照港股份一公司) from April 2021 to June 2021, and a member of the Party Committee, deputy manager and chairman of the labor union (senior executive level of the Shandong Port Group) of First Company of Rizhao Port (日照港股份一公司) from June 2021 to July 2021.

Brief Biographies of Directors, Supervisors and Senior Management (Continued)

Mr. Liu Baojun (劉保軍), aged 41, was appointed as the Deputy General Manager of the Company on 26 May 2022 and is in charge of production organisation and safety management, environmental protection and epidemic prevention and control in production.

Mr. Liu graduated from the School of Management of Shandong University in July 2002, majoring in business administration. Mr. Liu Baojun served in various positions in Rizhao Port Group and the Company from September 2002 to October 2011, and was the deputy director of the Company's office from October 2011 to October 2015, the captain of the Company's operation team from October 2015 to December 2017, and the secretary of the party branch and captain of the Company's operation team from December 2017 to May 2020. From May 2020 to October 2021, he was the secretary of the party branch and captain of the Company's operation team (provincial port group supervisory level), and from October 2021 to the present, he was the secretary of the party branch and captain of the Company's dispatch centre.

Mr. Ding Dong (丁東), aged 46, was appointed as financial director of the Company on 24 September 2021. He is mainly responsible for financial and investment management.

Mr. Ding successively worked for Rizhao Port First Harbor Company (日照港第一港務分公司) from November 1997 to June 1999, Rizhao Port Industry Corporation (日照港口實業總公司) from June 1999 to April 2002, planning and finance division of Rizhao Port Authority from April 2002 to June 2003 and finance and budget department of Rizhao Port Group from June 2003 to February 2008. He served as chief of the agency affairs division of finance and budget department at Rizhao Port Group from February 2008 to June 2010. He served as finance manager at Rizhao Shihua Crude Oil Terminal Co., Ltd. (日照實華原油碼頭有限公司) from June 2010 to March 2017. He served as director of planning and finance office at the Second Harbor Branch of Rizhao Port (日照港集團股份第二港務分公司) from March 2017 to October 2017. He served as deputy director of asset and finance department at Rizhao Port Group from October 2017 to December 2018. He served as financial director of the Company from December 2018 to December 2019, and financial director of Rizhao Port Co., Ltd. from December 2019 to September 2021.

Mr. Ding graduated from Qingdao University (青島大學) in accounting in July 1997, and received his bachelor's degree of economics. He obtained his master's degree in business administration from Huazhong University of Science and Technology (華中科技大學) in March 2016.

Brief Biographies of Directors, Supervisors and Senior Management (Continued)

Mr. Zheng Shiqiang (鄭世強), aged 52, is the member of the Party Committee and secretary of the Board of the Company. He is mainly responsible for the Board related matters, information disclosure and liaison with the securities regulatory authority. He worked at the Company as marketing manager from May 2011 to March 2013. He has been director of general office of the Company from May 2013 to March 2019. He served as the maintenance team leader of the Company from March 2019 to July 2019, and has served as the director of the securities office of the Company from August 2019 to October 2021.

Prior to joining our Company, Mr. Zheng worked as accountant at Rizhao Port Authority Railway Transportation Company from September 1992 to February 1993 and at planning and finance division of Rizhao Port Authority from February 1993 to March 1998. He served as financial manager at Port Service Center of Rizhao Port Industry Corporation (日照港口實業總公司港口服務中心) from March 1998 to June 1999. He served as the chief of production preparation group and executive finance team of Rizhao Port Wood and Chip Terminal (日照港木片碼頭) from June 1999 to March 2001. He worked at the Third Harbor Company of Rizhao Port Authority as deputy office manager from January 2001 to June 2001 and office manager from June 2001 to April 2003. He worked at Rizhao Port Container as officer manager from April 2003 to December 2006. He served as office manager at the Third Harbor Branch of Rizhao Port Group from December 2006 to April 2011.

Mr. Zheng was recognized as accountant in 1998 and senior economist by Human Resources and Social Security Department of Shandong Province in 2006.

Mr. Zheng obtained his bachelor's degree in finance and accounting from China University of Mining and Technology (中國礦業大學) in July 1992. After graduation, he participated in a Postgraduate training course of Shandong University on industrial economics.

The Company is pleased to present the annual report and the audited financial statements for the year ended 31 December 2022.

PRINCIPAL BUSINESS

As at the date of this annual report, the Company is principally engaged in comprehensive port-related services, including stevedoring, berth leasing, port management, storage, and logistics agency services. The primary cargo types we handled are soybeans, woodchips, dried tapioca, and other small-volume cargo types including maize and wheat. There was no significant change in the nature of the Company's major business during the Reporting Period.

During the Reporting period, the Company had no subsidiary. Details of the Company operating results for the Reporting Period by business segments are set out in Note 5 to the financial statements of this annual report.

RESULTS

The results of the Company for the Reporting Period are set out in the statement of profit or loss and other comprehensive income on page 130 of this annual report.

FINANCIAL HIGHLIGHTS

Financial highlights in respect of the Company's results, assets and liabilities for the years of 2021 and 2022 are set out on page 10 of this annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company during the Reporting Period are set out in Note 17 to the financial statements.

FINAL DIVIDEND, WITHHOLDING OF INCOME TAX AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to recommend the payment of a final dividend of RMB0.024 per share (tax inclusive) for the year ended 31 December 2022 to all Shareholders whose names appear on the register of members of the Company on 30 May 2023, subject to the consideration and approval of the same by Shareholders at the AGM. The final dividend is expected to be paid on or before 31 July 2023.

For a non-resident enterprise Shareholder of the Company's H shares (i.e., any Shareholder holding the Company's H shares in the name of a non-individual Shareholder, including but not limited to any holders of H shares registered in the name of HKSCC Nominees Limited, or any other nominee or trustee, or any other organization or group), the Company shall withhold the corporate income tax for the final dividend at the tax rate of 10% on their behalf in accordance with the Corporate Income Tax Law of the PRC and other relevant tax laws, regulations and tax treaties.

Directors' Report (Continued)

Pursuant to the requirements of Notice of the Ministry of Finance and the State Administration of Taxation on Certain Policies Regarding Individual Income Tax (Cai Shui Zi [1994] No. 020), the foreign individual Shareholders who hold the H Shares of the Company are exempted from individual income tax on dividends and bonus received from the Company (as foreign invested enterprises in the PRC). If otherwise stipulated by other relevant tax laws, regulations and tax treaties, the Company will withhold and pay the individual income tax for the dividends and bonus at the rate and with the procedures in accordance with relevant provisions.

In order to determine the holders of H shares who will be entitled to the proposed final dividends of H shares, the register of members of the Company will be closed from Wednesday, 24 May 2023 to Tuesday, 30 May 2023 (both days inclusive), during which period no transfer of H shares will be registered. The holders of H shares whose names appear on the register of members of the Company on Tuesday, 30 May 2023 are entitled to the proposed final dividend. In order for the holders of H shares to qualify for receiving the proposed final dividend, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and in any case no later than 4:30 p.m. on Tuesday, 23 May 2023.

The Company is not aware of any arrangement under which a Shareholder has waived or agreed to waive any dividends.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The AGM of the Company will be held on Thursday, 18 May 2023 and the notice convening such meeting will be published and dispatched to the Shareholders in the manner as required by the Listing Rules in due course.

In order to determine the holders of H shares who will be entitled to attend the AGM, the register of members of the Company will be closed from Friday, 12 May 2023 to Thursday, 18 May 2023 (both days inclusive), during which period no transfer of H shares will be registered. In order for the holders of H shares to qualify for attending the AGM, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and in any case no later than 4:30 p.m. on Thursday, 11 May 2023.

BUSINESS REVIEW

A review of the Company's business, a discussion and analysis of the Company's performance during the year, the material underlying factors of its results and financial position, certain important events occurred since the end of the Reporting Period and the future development of the Company's business have been set out in the section headed "Management Discussion and Analysis" of this annual report.

Risks and Uncertainties

The Company's business, financial position, operation results and growth prospects may be affected by risks and uncertainties directly or indirectly pertaining to the Company's businesses. The risk factors set out below are not exhaustive or comprehensive, and there may be other risks which are not known to the Company or which may not be material now but would become material in the future.

(a) Risks of economic volatility

The Company's operation results may be affected by macroeconomic factors such as the economic growth rate and level of trade development which may impact cargo throughput at the ports in the PRC.

(b) Risks relating to changes in the PRC policies

The future development of the Company's business will become uncertain due to the change in regulatory requirements, governmental policies, development plans and relevant laws and regulations in the PRC.

(c) Foreign exchange risk

Details of the Company's foreign exchange risk management are set out in the section headed "Management Discussion and Analysis" of this annual report.

Environmental Policies and Performance

Details of the Company's ESG report are set out in the "Environmental, Social and Governance Report 2022" section of this annual report.

Compliance with the Relevant Laws and Regulations

To the best knowledge and information of the Company, the Company has complied with the relevant laws, regulations and other applicable requirements that have a significant impact on the Company during the Reporting Period.

Key Relationship with Employees, Customers and Suppliers

(a) Employees

As at 31 December 2022, the Company had a total of 335 employees. Details of our employees and remuneration policies are set out in the section headed "Management Discussion and Analysis" of this annual report.

(b) Customers

The Company is committed to creating values for our customers by providing quality services to meet their needs and upholding service integrity. Through evaluation and analysis of industry background, scale of operation and credibility of the customers, we have established long-term relationships with our customers by making efforts to offer our customers personalised and refined services.

(c) Suppliers

The Company conducts supplier assessment on a regular basis to evaluate and analyse their operation qualification, product quality, business integrity, industry background and historical performance for the purpose of ensuring our normal operation, quality of performance while minimising costs. We have established a long-term and trusted cooperation relationship with our suppliers.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, revenue generated from the Company's five largest customers accounted for 43.08% of the Company's total revenue and our single largest customer accounted for 12.17% of the Company's total revenue.

During the Reporting Period, the Company's five largest suppliers are the controlling shareholders of the Company and their subsidiaries as well as other purchasers and the procurement therefrom accounted for 43.48% of the Company's total purchases. For the same period, procurement from our single largest supplier accounted for 15% of the Company's total purchases.

During the Reporting Period, save as disclosed above, to the best knowledge of the Directors, none of the Directors, their close associates or Shareholders which, to the best knowledge of the Directors, hold more than 5% of the Company's issued share capital, had any interest in the Company's five largest customers or suppliers.

USE OF NET PROCEEDS FROM LISTING

The Company was listed on the Stock Exchange on 19 June 2019 (the "Listing Date") by way of a global offering, under which a total of 460,000,000 H shares (including H shares issued upon full exercise of the over-allotment option) were issued at an offer price HK\$1.50 per share, raising total net proceeds of RMB546.414 million after deducting professional fees, underwriting commissions and other related listing expenses (the "IPO Proceeds").

As stated in the prospectus of the Company dated 31 May 2019 (the "Prospectus"), the Company had plans to use the IPO Proceeds. As at 31 December 2022, the Company had used approximately RMB382.49 million for the acquisition of the West-6 berth; approximately RMB7.615 million for the procurement of equipment and machinery for the West-6 berth; and approximately RMB54.641 million for working capital and general corporate purposes.

	Utilised amount as at 31 December 2021 RMB'000,000	Unutilised amount as at 31 December 2021 RMB'000,000	Utilised amount during the Reporting Period RMB'000,000	Unutilised amount as at 31 December 2022 RMB'000,000	Expected timeline for utilising the remaining IPO Proceeds ^(Note)
Acquisition of the West-6 berth	382.49	0	0	0	Expected to be fully utilised on or before 31 December 2023
Procurement of equipment and machinery	7.615	101.667	0	101.667	
Working capital and general corporate use	54.641	0	0	0	
Total	444.746	101.667	0	101.667	

Note: In 2022, the Company invested in the construction project of a grain base, which covered the reconstruction of the West-6 berth but it was delayed due to the COVID-19 pandemic and was expected to initially possess grain loading and unloading capacity by the end of 2023. Subsequent adjustments will be made in a timely manner according to the construction progress of the grain base and the market development to ensure the smooth reconstruction of the West-6 berth.

The Company does not have any intention to change the purposes of the IPO Proceeds as set out in the Prospectus, and will gradually utilise the residual amount of the IPO Proceeds in accordance with the intended purposes.

Directors' Report (Continued)

NON-COMPETITION UNDERTAKINGS

On 16 November 2018 and 24 May 2019, Rizhao Port and Rizhao Port Group provided non-competition undertakings (the “**Non-competition Undertakings**”) to the Company, respectively. Details of the Non-competition Undertakings are set out in the section “Relationship with Controlling Shareholders – Non-competition Undertakings” of the Prospectus.

The independent non-executive Directors have reviewed the compliance of the relevant undertakings for the year ended 31 December 2022 and have confirmed that, to the best of their knowledge, Rizhao Port and Rizhao Port Group had not been in breach of the Non-competition Undertakings during the year ended 31 December 2022.

RESERVES

Details of movements in reserves of the Company during the Reporting Period are set out in the statement of changes in equity on pages 135 to 136 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's reserves available for distribution were RMB547 million, which was calculated in accordance with the generally accepted accounting principles of the PRC.

DONATIONS

During the Reporting Period, no charitable and other donations were made by the Company.

SHARE CAPITAL

The share capital structure of the Company as at 31 December 2022 is set out as follows:

Class of shares	Number of shares	Proportion %
Domestic Shares	840,000,000	50.60
H Shares	820,000,000	49.40
Total	1,660,000,000	100.00

Details of the movements in the share capital of the Company during the Reporting Period are set out in Note 31 to the financial statements.

DEBENTURES

During the Reporting Period, the Company did not issue any debentures.

PRE-EMPTIVE RIGHTS

Pursuant to the Articles of Association and the laws of the PRC, there are no provisions for pre-emptive rights which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

SHARE SCHEME

The Company has not adopted any share scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, no purchase, sale or redemption of the Company's listed securities were made.

DIRECTORS AND SUPERVISORS

During the Reporting Period and as at the date of this annual report, the Directors and the Supervisors of the Company include:

Executive Director

Mr. Zhang Feng (*resigned on 15 February 2023 due to change in work arrangements*)
Mr. Qin Yuning (*appointed on 15 February 2023*)

Non-executive Directors

Mr. Cui Liang (*Chairman*)
Mr. Ooi Boon Hoe (*resigned on 17 October 2022 due to change in work arrangements*)
Mr. Pay Cher Wee (*resigned on 17 October 2022 due to change in work arrangements*)
Mr. Jiang Zidan (*resigned on 17 October 2022 due to change in work arrangements*)
Mr. Seow Kok Leong Terence (*appointed on 28 December 2022*)
Mr. Nyan Ming Ren Francis (*appointed on 28 December 2022*)
Mr. Fang Lei (*appointed on 28 December 2022*)
Mr. Chen Lei

Independent Non-executive Directors

Mr. Zhang Zixue
Mr. Wu Xibin
Mr. Lee Man Tai

Directors' Report (Continued)

Supervisors

Mr. Wang Wei (*resigned on 2 August 2022 due to change in work arrangements*)

Mr. Gao Zhiyuan (*appointed on 2 August 2022*)

Mr. Li Weiqing

Mr. Tham Wai Kong

According to the Articles of Association, the Directors and the Supervisors are appointed for a term of three years and subject to re-election upon the expiry of their terms.

CHANGES IN INFORMATION RELATING TO DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

Name of Director	Details of changes
Mr. Wang Wei	<ul style="list-style-type: none">resigned as an employee representative Supervisor and the chairman of the Supervisory Committee with effect from 2 August 2022
Mr. Gao Zhiyuan	<ul style="list-style-type: none">appointed as an employee representative Supervisor with effect from 2 August 2022appointed as the chairman of the Supervisory Committee with effect from 19 August 2022
Mr. Ooi Boon Hoe	<ul style="list-style-type: none">resigned as a non-executive Director with effect from 17 October 2022
Mr. Pay Cher Wee	<ul style="list-style-type: none">resigned as a non-executive Director and ceased to serve as a member of the Nomination Committee with effect from 17 October 2022
Mr. Jiang Zidan	<ul style="list-style-type: none">resigned as a non-executive Director and ceased to serve as a member of the Remuneration Committee with effect from 17 October 2022
Mr. Chen Lei	<ul style="list-style-type: none">appointed as a member of the Remuneration Committee with effect from 17 October 2022ceased to serve as a member of the Remuneration Committee with effect from 28 December 2022

Name of Director	Details of changes
Mr. Seow Kok Leong Terence	<ul style="list-style-type: none"> appointed as a non-executive Director and a member of the Nomination Committee with effect from 28 December 2022
Mr. Nyan Ming Ren Francis	<ul style="list-style-type: none"> appointed as a non-executive Director with effect from 28 December 2022
Mr. Fang Lei	<ul style="list-style-type: none"> appointed as a non-executive Director and a member of the Remuneration Committee with effect from 28 December 2022
Mr. Zhang Feng	<ul style="list-style-type: none"> resigned as the general manager of the Company with effect from 13 January 2023 resigned as an executive Director and the authorised representative of the Company under Rule 3.05 of the Listing Rules (the "Authorised Representative") with effect from 15 February 2023
Mr. Qin Yuning	<ul style="list-style-type: none"> appointed as the deputy general manager of the Company with effect from 13 January 2023 appointed as an executive Director and the Authorised Representative with effect from 15 February 2023

Save as disclosed in this annual report, there was no change in any information in relation to the Directors, the Supervisors and the chief executive of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.



Directors' Report (Continued)

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of the current Directors, Supervisors and senior management of the Company are set out on pages 40 to 48 of this annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

The Company has entered into service contracts with each of the Directors and Supervisor for a term of not more than three years effected until the expiry of the term of office of the current session of the Board or the Supervisory Committee, which shall be terminated pursuant to relevant terms of the respective contracts.

None of the Directors and the Supervisors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

REMUNERATION OF DIRECTORS AND SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors, the Supervisors and the five highest paid individuals during the Reporting Period are set out in Notes 11 and 12 to the financial statements.

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS OF SIGNIFICANCE

Save for the service contract, none of the Directors or Supervisors or their connected entities had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance in relation to the business of the Company to which the Company, its parent company or any of its subsidiaries or fellow subsidiaries was a party, subsisting during or at the end of the Reporting Period.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save as disclosed in the paragraph headed "Connected Transactions" in this annual report, there were no contract of significance between the Company and a controlling shareholder of the Company or any of its subsidiaries or for the provision of services to the Company by a controlling shareholder of the Company or any of its subsidiaries subsisting during or at the end of the Reporting Period.

INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

None of the Directors and the Supervisors holds any interest in business which directly or indirectly competes or is likely to compete, either directly or indirectly, with the business of the Company.

RIGHTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the Reporting Period was the Company, its parent company or any of its subsidiaries or fellow subsidiaries a party to any arrangement that would enable the Directors, the Supervisors and chief executive of the Company, or their respective spouse or children under the age of 18 to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, the Supervisors and chief executive of the Company, or their respective spouse or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2022, to the best knowledge of the Directors, none of the Directors, the Supervisors or the chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Report (Continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, to the best knowledge of the Directors, the following persons (not being a Director, Supervisor or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Capacity/Nature of Interest	Number of shares interested	Class of shares	Long/short position	Percentage of shareholding to the relevant class of shares ⁽³⁾ %	Percentage to total issued share capital ⁽⁴⁾ %
Shandong Port Group ⁽¹⁾	Interest in controlled corporation	840,000,000	Domestic Shares	Long position	100	50.60
Rizhao Port Group ⁽¹⁾	Interest in controlled corporation	840,000,000	Domestic Shares	Long position	100	50.60
Rizhao Port	Beneficial owner	840,000,000	Domestic Shares	Long position	100	50.60
Jurong Port Pte Ltd ("Jurong Port") ⁽²⁾	Interest in controlled corporation	360,000,000	H Shares	Long position	43.90	21.69
Jurong Port Rizhao Holding Pte Ltd ("Jurong Port Holding")	Beneficial owner	360,000,000	H Shares	Long position	43.90	21.69
Orient Fund Management Co., Ltd.	Trustee	58,520,000	H Shares	Long position	7.14	3.52

(1) Shandong Port Group directly held 100% of the equity interests of Rizhao Port Group, which was in turn the controlling shareholder of Rizhao Port and directly held 43.6% of the equity interests of Rizhao Port, and indirectly held 0.88% of the equity interests of Rizhao Port through its wholly-owned subsidiary, Rizhao Port Group Lanshan Port Company Limited (日照港集團嵐山港務有限公司), as at 31 December 2022. Therefore, each of Shandong Port Group and Rizhao Port Group is deemed to be interested in the 840,000,000 Domestic Shares held by Rizhao Port.

(2) Jurong Port directly held 100% of the equity interest of Jurong Port Holding as at 31 December 2022. Therefore, Jurong Port is deemed to be interested in the 360,000,000 H Shares held by Jurong Port Holding.

(3) The calculation is based on the percentage of shareholding in the Domestic Shares or H Shares (as the case may be) as at 31 December 2022.

(4) The calculation is based on the total number of 1,660,000,000 Shares in issue comprising 840,000,000 Domestic Shares and 820,000,000 H Shares as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, the Directors were not aware of any persons (who were not Directors, Supervisors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

MANAGEMENT CONTRACTS

During the Reporting Period, no contract in respect of the management or administration of the entire business or any substantial part of business of the Company was entered into or maintained by the Company.

EQUITY-LINKED AGREEMENTS

During the Reporting Period, the Company did not enter into any equity-linked agreements.

PERMITTED INDEMNITY PROVISION

During the Reporting Period, the Company has purchased liability insurance valid for the Reporting Period for Directors, Supervisors and senior management of the Company.

CONNECTED TRANSACTIONS

During the Reporting Period, the Company entered into the following connected transactions as defined in Chapter 14A of the Listing Rules required to be disclosed in this annual report.

Connected Transactions

(a) Discloseable and connected transaction – construction contract in respect of No. 8 Warehouse Project

On 13 October 2022, the Company entered into the construction contract with Shandong Gangwan, pursuant to which the Company agreed to engage Shandong Gangwan as the contractor for the No. 8 Warehouse Project, which is the construction project of two warehouses with steel portal frame structure and ancillary infrastructure such as construction of outdoor storage yard roads and weighbridge office and water and electricity works at Shijiu port area in Rizhao port. The contract price is RMB51,689,505.56, subject to (i) adjustments on the raw materials price in the event that the price of reinforcement steel, steel and concrete to be used at the construction works fluctuates over 5% from the benchmark price published by the local authorities; and (ii) completion and settlement audit report issued by an independent third party audit institution appointed by the Company. Shandong Gangwan is a non-wholly owned subsidiary of and is held as to 95.6% by Shandong Port Group, a controlling shareholder of the Company. Accordingly, Shandong Gangwan is an associate of Shandong Port Group pursuant to Rule 14A.13(1) of the Listing Rules, and therefore a connected person of the Company under the Listing Rules. For more details, please refer to the Company's announcement dated 13 October 2022 and the Company's circular dated 12 December 2022.

(b) Major and connected transaction – construction contract and equipment procurement contract in respect of Rizhao Port Grain Base Project

On 18 October 2022, the Company entered into the construction contract with Shandong Gangwan, pursuant to which the Company agreed to engage Shandong Gangwan as the contractor for the construction project of building 41 silos for storing grains, reconstructing the pier and building ancillary infrastructure at Shijiu port area in Rizhao port (the “**Rizhao Port Grain Base Project**”). The contract price is RMB499,980,953, subject to (i) adjustments on the raw materials price in the event that the price of steel and concrete to be used at the construction works fluctuates from the benchmark price published by the local authorities or benchmark price stated in the website of an industry data service provider; and (ii) completion and settlement audit report issued by an independent third party audit institution appointed by the Company. Shandong Gangwan is a non-wholly owned subsidiary of and is held as to 95.6% by Shandong Port Group, a controlling shareholder of the Company. Accordingly, Shandong Gangwan is an associate of Shandong Port Group pursuant to Rule 14A.13(1) of the Listing Rules, and therefore a connected person of the Company under the Listing Rules.

On 18 October 2022, the Company also entered into the equipment procurement contract with Qingdao Port Equipment, pursuant to which the Company agreed to engage Qingdao Port Equipment to supply three gantry cranes for the Rizhao Port Grain Base Project and provide relevant services to the Company at a contract price of RMB50,580,000. Qingdao Port Equipment is a wholly-owned subsidiary of Qingdao Port International, which is in turn held as to approximately 55.77% by Qingdao Port Group, a wholly-owned subsidiary of Shandong Port Group, a controlling shareholder of the Company. Accordingly, Qingdao Port Equipment is an associate of Shandong Port Group pursuant to Rule 14A.13(1) of the Listing Rules, and therefore a connected person of the Company under the Listing Rules.

For more details, please refer to the Company's announcement dated 18 October 2022 and the Company's circular dated 12 December 2022.

(c) Connected transaction – supervision contract in respect of Rizhao Port Grain Base Project

On 29 December 2022, the Company entered into the supervision contract with Rizhao Port Supervision (as the leading party to the consortium) and Shandong Gangtong (as the member to the consortium) (the “**Consortium**”), pursuant to which the Company agreed to engage the Consortium to provide construction supervision services for the Rizhao Port Grain Base Project. The contract price is RMB7,700,000 which consists of (a) RMB7,469,000 for the services provided during the construction phase; and (b) RMB231,000 for the services provided during the defects liability period. Rizhao Port Supervision is a wholly-owned subsidiary of Rizhao Port Group, which is in turn wholly-owned by Shandong Port Group; and each of Rizhao Port Group and Shandong Port Group is a controlling shareholder of the Company. Accordingly, Rizhao Port Supervision is an associate of each of Rizhao Port Group and Shandong Port Group pursuant to Rule 14A.13(1) of the Listing Rules, and therefore a connected person of the Company under the Listing Rules. For more details, please refer to the Company's announcement dated 29 December 2022.

Continuing Connected Transactions

A summary of the continuing connected transactions for the Reporting Period is set out as follows:

Continuing connected transactions	Connected persons involved	Annual cap permitted under the Listing Rules <i>RMB</i>	Transaction amount in 2022 <i>RMB</i>
Property lease (sale) framework agreement	Rizhao Port Group	27,760,000	5,651,000
Port-related service (sale) framework agreement	Rizhao Port Group	21,500,000	19,116,000
Property lease (procurement) framework agreement	Rizhao Port Group	82,381,000	53,543,000
General service (procurement) framework agreement	Rizhao Port Group	161,510,000	118,886,000
Financial service framework agreement	RPG Finance		
– Maximum daily balance of deposits		180,000,000	177,093,000
– Interest income		3,000,000	2,819,000
Financial service framework agreement	SPG Finance		
– Maximum daily balance of deposits		350,000,000	200,009,000
– Interest income		600,000	–
Operation Outsourcing Agreement 2022	Rizhao Port Lanshan	25,000,000	20,526,000
Shandong Port International Trade Rizhao Company Framework Agreement	Shandong Port International Trade Rizhao Company	30,000,000	13,332,000
SDP Shipping Group Port-related Service (Sale) Framework Agreement	SDP Shipping Group	8,000,000	979,000
SDP Shipping Group General Service (Procurement) Framework Agreement	SDP Shipping Group	5,000,000	–
Shandong Port Finance Holding Framework Agreement	Shandong Port Finance Holding Group	500,000	–
SDP Logistics Group Port-related Service (Sale) Framework Agreement	SDP Logistics Group	4,000,000	–
SDP Logistics Group General Service (Procurement) Framework Agreement	SDP Logistics Group	55,000,000	108,000
SDP Technology Group General Service (Procurement) Framework Agreement	SDP Technology Group	9,580,000	1,934,000

Directors' Report (Continued)

- (a) On 26 November 2021, the Company entered into the following framework agreements with Rizhao Port Group (for itself and on behalf of its subsidiaries). On 7 December 2022, the Company entered into the property lease (procurement) supplemental framework agreement with Rizhao Port Group (for itself and on behalf of its subsidiaries). Rizhao Port Group is the controlling shareholder of the Company, and is hence a connected person of the Company under Chapter 14A of the Listing Rules. For more details, please refer to the Company's announcements dated 26 November 2021 and 7 December 2022 and the Company's circulars dated 15 January 2022 and 20 January 2023.

Property lease (sale) framework agreement 2022

Nature of the transaction: Rizhao Port Group agreed to lease from the Company the West-1 berth, West-2 berth, West-6 berth and temporarily leased berths and other relevant properties from time to time

Term: From 1 January 2022 to 31 December 2024

Pricing policy: The rent in respect of the lease of the West-1 berth, West-2 berth and temporarily leased berths was determined by both parties through arm's length negotiation with reference to (a) area leased, geographic location and profile of the surrounding area; (b) historical rent; and (c) depreciation costs of such assets plus an expected rate of return.

The rent in respect of the lease of the West-6 berth was calculated by both parties through arm's length negotiation with reference to the depreciation of the berth, land rent and the estimated current reasonable profit. The annual rent of the West-6 berth is estimated to be approximately RMB14.5 million.

Port-related service (sale) framework agreement 2022

Nature of the transaction: The Company agreed to provide stevedoring services and cargo supervision services to Rizhao Port Group and other port-related services the Company may provide to Rizhao Port Group in the future from time to time

Term: From 1 January 2022 to 31 December 2024

Pricing policy: The service fee rates in relation to the port-related services were determined through arm's length negotiation with reference to (i) the cost of the relevant services; and (ii) the comparable service fee rate charged by the Company for such services provided for independent third parties.

Property lease (procurement) framework agreement 2022 (as amended by the property lease (procurement) supplemental framework agreement)

Nature of the transaction: The Company agreed to lease from Rizhao Port Group (a) land occupied by West-18 berth and the land behind it; (b) warehouses; (c) complex building; (d) anticipated new lease of lands; and (e) other properties the Company may lease from Rizhao Port Group in the future from time to time

Term: From the date of the Company's extraordinary general meeting held on 31 January 2022 to 31 December 2024

Pricing policy: The rent amount was determined after arm's length negotiations between the parties after considering the following factors, (i) the size of the leased area, geographical location and general situation of the surrounding area; (ii) historical rent; and (iii) rents charged by independent third parties for similar offices in the vicinity (applicable to the complex building only). In addition, 50% of the profit from the West-18 berth will be paid to Rizhao Port Group as part of the rental fee for the land occupied by and behind the West-18 berth.

General service (procurement) framework agreement 2022

- Nature of the transaction:** The Company agreed to procure from Rizhao Port Group services including (i) port-related services; (ii) railway services; (iii) security services; (iv) maintenance services; (v) port-related technology services; (vi) office and logistics services; and (vii) utilities and consumables, and other services the Company may procure from Rizhao Port Group in the future from time to time
- Term:** From the date of the Company's extraordinary general meeting held on 31 January 2022 to 31 December 2024
- Pricing policy:**
- (i) For port-related services, the fee rates for logistics (other than container logistics), labor contracting and port cleaning services are determined with reference to (1) the comparable service fee rates charged by independent third parties and (2) the workload and the suppliers are selected through public bidding processes. The fee rates for ship traction and container logistics services are determined through arm's length negotiation with reference to (1) historical fee rates; (2) the cost of the relevant services; and (3) the fee rates charged for similar services by independent third parties (applicable to container logistics services only).
 - (ii) For railway services, the fee rates are determined through arm's length negotiation with reference to (1) the laws and regulations promulgated by relevant state departments and pricing rules promulgated by Rizhao Port Group; (2) historical fee rates and (3) transportation distances.
 - (iii) For security services, the fee rates for the port facilities security services are determined by the the pricing in the market and the fee rates for the security inspection services are determined through arm's length negotiation with reference to (1) historical fee rates and (2) the cost of the relevant services.
 - (iv) For maintenance services, the fee rates are determined with reference to (1) the comparable service fee rates charged by independent third parties, (2) the workload, (3) the construction period, and (4) the other cost of such services and the suppliers are selected through public bidding processes.
 - (v) For port-related technology services, the fee rates are determined through arm's length negotiation with reference to (1) historical fee rates and (2) the cost of the relevant services.

- (vi) For office and logistics services, the fee rates for printing, catering, accommodation, meeting, employee benefits, garbage removal services are determined with reference to the comparable service fee rates charged by independent third parties and the suppliers are selected through public bidding processes. The fee rates for telephone, networks and protective gears supplies services are determined through arm's length negotiation with reference to (1) historical fee rates; (2) the cost of the relevant services; and (3) the fee rates charged for similar services by independent third parties.
 - (vii) For utilities and consumables, the fee rates are determined through arm's length negotiation with reference to (1) historical fee rates; (2) the market price of the utilities and consumables.
- (b) On 27 March 2020, the Company entered into the 2020–2022 financial services framework agreement with RPG Finance. On 1 April 2021, the Company entered into the financial service supplemental framework agreement with RPG Finance to revise the annual caps for the transactions of the provision of deposit and settlement services. RPG Finance is respectively held as to 60% and 40% by Rizhao Port Group and Rizhao Port, each of which is a controlling shareholder of the Company. Hence, RPG Finance is an associate of each of Rizhao Port Group and Rizhao Port and is a connected person of the Company under Chapter 14A of the Listing Rules. For more details, please refer to the announcements of the Company dated 27 March 2020 and 1 April 2021 and the circulars of the Company dated 15 April 2020 and 13 July 2021.

Financial service framework agreement (as amended by the financial service supplemental framework agreement)

Nature of the transaction:	RPG Finance agreed to provide deposit and settlement services to the Company
Term:	From the date of the Company's 2019 annual general meeting held on 18 May 2020 to 31 December 2022
Pricing policy:	The deposit interest rates are determined in accordance with the rates published by the People's Bank of China and are in line with the market rates provided by independent commercial banks. The interest rate of other financial services related to or similar to the deposit service shall not be lower than the interest rates offered by independent commercial banks for comparable financial services. The settlement service provided by RPG Finance is free of charge.

Directors' Report (Continued)

On 28 October 2022, the Company entered into the 2022 – 2024 financial services framework agreement with SPG Finance (the “**2022 – 2024 Financial Service Framework Agreement**”). SPG Finance is directly held as to (i) 70% by Qingdao Port International, which is in turn held as to approximately 55.77% by Qingdao Port Group; and (ii) 30% by Qingdao Port Group, and Qingdao Port Group is a wholly-owned subsidiary of Shandong Port Group, a controlling shareholder of the Company. Accordingly, SPG Finance is an associate of Shandong Port Group pursuant to Rule 14A.13(1) of the Listing Rules, and therefore a connected person of the Company under the Listing Rules. For more details, please refer to the announcement of the Company dated 28 October 2022 and the circular of the Company dated 5 December 2022.

2022 – 2024 Financial Service Framework Agreement

- Nature of the transaction:** SPG Finance agreed to provide deposit and settlement services to the Company.
- Term:** From the date of fulfilment of the conditions precedent set out in the 2022 – 2024 Financial Service Framework Agreement to 31 December 2024
- Pricing policy:**
- The deposit interest rates are determined in accordance with the rates published by the People's Bank of China and are not lower than the market rates provided by independent commercial banks.
- The interest rate of other financial services related to or similar to the deposit service shall not be lower than the interest rates offered by independent commercial banks for comparable financial services.
- The settlement service provided by SPG Finance is free of charge.

- (c) On 12 January 2022, the Company entered into the Operation Outsourcing Agreement 2022 with Rizhao Port Lanshan. Rizhao Port Lanshan is a wholly-owned subsidiary of Rizhao Port, a controlling shareholder of the Company. Accordingly, Rizhao Port Lanshan is an associate of Rizhao Port and therefore a connected person of the Company under Chapter 14A of the Listing Rules. For more details, please refer to the Company's announcement dated 12 January 2022.

Operation Outsourcing Agreement 2022

Nature of the transaction: The Company may from time to time engage Rizhao Port Lanshan to provide stevedoring, storage and delivery services of grain cargoes, in Lanshan port area

Term: From 12 January 2022 to 31 December 2024

Pricing policy: The fee charged for the services provided by Rizhao Port Lanshan is determined through arm's length negotiations by the parties and based on normal commercial terms with reference to (i) qualification of service providers in stevedoring of grain cargoes in Lanshan port area; (ii) the prevailing market price for the provision of similar types of services in the same or nearby service area by independent third parties; (iii) the actual services to be provided, the volume of cargoes to be handled and the duration of storage of cargoes; and (iv) the historical prices offered to independent third party service providers.

- (1) For the provision of stevedoring and delivery services of grain cargoes, the fee charged is determined through the evaluation conducted by an independent third party with reference to the operation process of the same or similar types of services in the port, the complexity of storage of the cargoes, the cost of providing such services, the fees charged within the industry, as well as the historical prices offered to independent third party service providers. The Company will also take into account that Rizhao Port Lanshan is the only port operator with the qualification of stevedoring grain cargoes approved by the governmental authority in the Lanshan port area.
- (2) For the provision of storage services of grain cargoes, the fee charged is determined with reference to the storage process, duration and quality requirements for such services, the storage prices charged by Rizhao Port Lanshan to other customers, the fee charged within the industry, as well as prices comparison of fees charged by the Company to other customers in respect of such services.

Before entering into any agreements pursuant to the Operation Outsourcing Agreement 2022, the Company will obtain quotations from two or more independent third party service providers through price inquiry. The finance office of the Company will perform the comparison of the fee quotations in accordance with the pricing policy to ensure that the terms of the continuing connected transactions contemplated under the Operation Outsourcing Agreement 2022 are fair and reasonable and no less favourable than the terms offered to the Company from independent third parties.

- (d) On 23 February 2021, the Company entered into the port-related service (sale) framework agreement with Shandong Port International Trade Rizhao Company (for itself and on behalf of its subsidiaries) (the “**Shandong Port International Trade Rizhao Company Framework Agreement**”). Shandong Port International Trade Rizhao Company (i) is a non-wholly owned subsidiary of and is held as to 51% by Shandong Port International Trade Group Co., Ltd* (山東港口國際貿易集團有限公司), which is a wholly-owned subsidiary of Shandong Port Group, a controlling shareholder of the Company; and (ii) is held as to 49% by Rizhao Port Group, which is a controlling shareholder of the Company. Accordingly, Shandong Port International Trade Rizhao Company is an associate of Shandong Port Group and Rizhao Port Group pursuant to Rule 14A.13(1) and Rule 14A.13(3) of the Listing Rules, respectively, and therefore a connected person of the Company under the Listing Rules. For more details, please refer to the Company's announcement dated 23 February 2021 and the Company's circular dated 23 April 2021.

Shandong Port International Trade Rizhao Company Framework Agreement

Nature of the transaction: The Company agreed to provide stevedoring services and cargo supervision services to Shandong Port International Trade Rizhao Company and other port-related services that the Company may provide to Shandong Port International Trade Rizhao Company from time to time.

Term: The term of the Shandong Port International Trade Rizhao Company Framework Agreement will commence upon the conclusion of the extraordinary general meeting held on 9 June 2021 and end on 31 December 2023, subject to early termination by the Company giving at least 6 months' prior written notice to Shandong Port International Trade Rizhao Company. The Shandong Port International Trade Rizhao Company Framework Agreement can be renewed or extended upon written agreement by the parties, provided that the requirements under the relevant laws and regulations and the Listing Rules are complied with.

Pricing policy: The service fee rates in relation to the port-related services were determined by both parties through arm's length negotiation with reference to (a) the cost of the relevant services; and (b) the comparable service fee rate charged by the Company for such services provided for Independent Third Parties. The services to be provided by the Company include (a) stevedoring services and cargo supervision services, which shall be charged based on the weight of the cargoes; and (b) storage services, which shall be charged based on the weight of the cargoes and the number of days the cargoes are stored in the Company's storage yard.

- (e) On 3 March 2022, the Company entered into the port-related service (sale) framework agreement with SDP Shipping Group (for itself and on behalf of its subsidiaries) (the “**SDP Shipping Group Port-related Service (Sale) Framework Agreement**”). On 19 September 2022, the Company entered into the general service (procurement) framework agreement with SDP Shipping Group (for itself and on behalf of its subsidiaries) (the “**SDP Shipping Group General Service (Procurement) Framework Agreement**”). SDP Shipping Group is a non-wholly owned subsidiary of and is held as to approximately 70.36% by Shandong Port Group, a controlling shareholder of the Company. Accordingly, SDP Shipping Group is an associate of Shandong Port Group pursuant to Rule 14A.13(1) of the Listing Rules, and therefore a connected person of the Company under the Listing Rules. For more details, please refer to the Company's announcements dated 3 March 2022 and 19 September 2022 and the Company's circular dated 12 December 2022.

SDP Shipping Group Port-related Service (Sale) Framework Agreement

Nature of the transaction: The Company agreed to provide stevedoring, transit and storage services to Shandong Port Shipping Group and other port-related services that the Company may provide to Shandong Port Shipping Group from time to time.

Term: From 3 March 2022 to 31 December 2024

Pricing policy: The service fee rates in relation to the port-related services were determined by both parties through arm's length negotiation with reference to (a) the market price of the services provided by the Company to independent third parties; and (b) the market price of similar services provided by independent and comparable suppliers.

SDP Shipping Group General Service (Procurement) Framework Agreement

Nature of the transaction: The Company agreed to procure grain logistics services from SDP Shipping Group and other similar general services the Company may procure from SDP Shipping Group in the future from time to time.

Term: From the date of the Company's extraordinary general meeting held on 28 December 2022 to 31 December 2024

Pricing policy: The fee rates for logistics services are determined with reference to (i) the comparable service fee rates charged by Independent Third Parties; and (ii) the historical fee rates charged by SDP Shipping Group for general grain logistics services provided to independent third parties.

- (f) On 29 August 2022, the Company entered into the port-related service (sale) framework agreement with Shandong Port Finance Holding Group (for itself and on behalf of its subsidiaries) (the "**Shandong Port Finance Holding Group Framework Agreement**"). Shandong Port Finance Holding Group is a wholly-owned subsidiary of Shandong Port Group, a controlling shareholder of the Company. Accordingly, Shandong Port Finance Holding Group is an associate of Shandong Port Group pursuant to Rule 14A.13(1) of the Listing Rules, and therefore a connected person of the Company under the Listing Rules. For more details, please refer to the Company's announcement dated 29 August 2022.

Shandong Port Finance Holding Group Framework Agreement

Nature of the transaction: The Company agreed to provide stevedoring and cargo supervision services to Shandong Port Finance Holding Group and other port-related services that the Company may provide to Shandong Port Finance Holding Group from time to time.

Term: From 29 August 2022 to 31 December 2024

Pricing policy: The service fee rates in relation to the port-related services were determined by both parties through arm's length negotiation with reference to (a) the comparable rate of the service provided by the Company to independent third parties; (b) the service cost of the Company; and (c) the fee standards of the supervision business and cargo transfer operation business in the region.

(g) On 19 September 2022, the Company entered into the port-related service (sale) framework agreement (the "**SDP Logistics Group Port-related Service (Sale) Framework Agreement**") and the general service (procurement) framework agreement (the "**SDP Logistics Group General Service (Procurement) Framework Agreement**") with SDP Logistics Group (for itself and on behalf of its subsidiaries). SDP Logistics Group is a wholly-owned subsidiary of Shandong Port Group, a controlling shareholder of the Company. Accordingly, SDP Logistics Group is an associate of Shandong Port Group pursuant to Rule 14A.13(1) of the Listing Rules, and therefore a connected person of the Company under the Listing Rules. For more details, please refer to the Company's announcement dated 19 September 2022 and the Company's circular dated 12 December 2022.

SDP Logistics Group Port-related Service (Sale) Framework Agreement

Nature of the transaction: The Company agreed to provide stevedoring, transit and storage services to SDP Logistics Group and other port-related services that the Company may provide to SDP Logistics Group from time to time.

Term: From 19 September 2022 to 31 December 2024

Pricing policy: The service fee rates in relation to the port-related services were determined by both parties through arm's length negotiation with reference to (a) the market price of the service provided by the Company to independent third parties; and (b) the market price of similar services provided by independent and comparable suppliers.

SDP Logistics Group General Service (Procurement) Framework Agreement

Nature of the transaction: The Company agreed to procure from SDP Logistics Group services including but not limited to logistics and container logistics services, and other similar general services the Company may procure from SDP Logistics Group in the future from time to time.

Term: From the date of the Company's extraordinary general meeting held on 28 December 2022 to 31 December 2024

Pricing policy: The fee rates for logistics services are determined with reference to the comparable service fee rates charged by independent third parties. The fee rates for container logistics services are determined through arm's length negotiation with reference to (i) historical fee rates; (ii) the cost of the relevant services; and (iii) market price for similar services provided by independent third parties.

(h) On 19 September 2022, the Company entered into the general service (procurement) framework agreement with SDP Technology Group (for itself and on behalf of its subsidiaries) ("**SDP Technology Group General Service (Procurement) Framework Agreement**"). SDP Technology Group is a non-wholly owned subsidiary of and is held as to 80% by Shandong Port Group, a controlling shareholder of the Company. Accordingly, SDP Logistics Group is an associate of Shandong Port Group pursuant to Rule 14A.13(1) of the Listing Rules, and therefore a connected person of the Company under the Listing Rules. For more details, please refer to the Company's announcement dated 19 September 2022 and the Company's circular dated 12 December 2022.

SDP Technology Group General Service (Procurement) Framework Agreement

Nature of the transaction: The Company agreed to procure from SDP Technology Group services including but not limited to facilities and equipment maintenance and other maintenance services; services of procurement and maintenance of software and IT systems in relation to port operation and management; and posts and telecommunications, telephone and networks services, and other similar general services the Company may procure from SDP Technology Group in the future from time to time.

Term: From the date of the Company's extraordinary general meeting held on 28 December 2022 to 31 December 2024

Pricing policy:

- (i) For facilities and equipment maintenance and other maintenance services, the fee rates are determined with reference to the comparable service fee rates charged by independent third parties.
- (ii) For services of procurement and maintenance of software and IT systems in relation to port operation and management, the fee rates are determined through arm's length negotiation with reference to (i) historical fee rates; and (ii) the fee rates charged for similar services by independent third parties.
- (iii) For posts and telecommunications, telephone and networks services, the fee rates are determined through arm's length negotiation with reference to the fee rates charged for similar services by independent third parties.

Directors' Report (Continued)

The independent non-executive Directors have reviewed the foregoing continuing connected transactions and confirmed that the transactions have been entered into:

- (a) in the ordinary and usual course of business of the Company;
- (b) on normal commercial terms or better; and
- (c) in accordance with the agreement governing the transaction and on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

According to Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to report on the Company's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by Hong Kong Institute of Certified Public Accountants. The Board has received an unqualified letter from the auditors of the Company in accordance with Rule 14A.56 of the Listing Rules containing the auditors' findings and conclusion on the above continuing connected transactions of the Company, stating that the auditors have not noticed anything that causes them to believe that any of these continuing connected transactions: (a) have not been approved by the Board; (b) were not, in all material respects, in accordance with the pricing policies of the Company if the transactions involve the provision of goods or services by the Company; (c) were not entered into in accordance with the relevant agreements governing such continuing connected transactions in all material aspects; and (d) have exceeded the relevant annual caps for the financial year ended 31 December 2022. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

RELATED PARTY TRANSACTIONS

Save as the connected transactions disclosed above, in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with, none of the related party transactions as disclosed in Note 35 to the financial statements constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

REMUNERATION POLICY

The remuneration policy of the Company links the remunerations of employees with performance, according to their positions, qualifications, work performance and the Company's production and operation results. For the senior management of the Company, the Company implements a basic salary and a performance-based salary policy. The employees' remunerations are reviewed and adjusted by the Company annually. The Company also provides employees with various benefits in accordance with the relevant national, municipal and city-level laws and regulations in the PRC.

The Remuneration Committee was set up for reviewing the Company's policy and structure for all remuneration of the Directors, Supervisors and senior management of the Company, having regard to the Company's operating results, comparable market practices and time commitment and responsibilities of the Directors, Supervisors and senior management of the Company.

RETIREMENT BENEFIT SCHEME

Details of the retirement benefit scheme of the Company are set out in Notes 10 and 11 to the financial statements.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 24 to 39 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the total issued share capital of the Company, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public at all times during the Reporting Period and as at the date of this annual report.

AUDITOR

The financial statements of the Company for the Reporting Period have been audited by Grant Thornton Hong Kong Limited. A resolution will be submitted at the forthcoming annual general meeting of the Company to re-appoint Grant Thornton Hong Kong Limited as independent auditor of the Company.

Deloitte Touche Tohmatsu resigned as the independent auditor of the Company on 26 November 2019, and Grant Thornton Hong Kong Limited has been appointed as the independent auditor of the Company since 17 December 2019.

On behalf of the Board

Cui Liang

Chairman

Rizhao, PRC, 31 March 2023

Supervisors' Report

During the Reporting Period, the Supervisory Committee maintained the interests of the Company and the Shareholders by discharging their supervisory duties on the operations, connected transactions and other matters of the Company, pursuant to the Company Law of the PRC, the Listing Rules, the Articles of Association, the Procedural Rules of the Supervisory Committee of Rizhao Port Jurong Co., Ltd. (《日照港裕廊股份有限公司監事會議事規則》) and other applicable laws and regulations, and the rights conferred by the shareholders' general meeting, on the basis of diligence and integrity.

MAJOR WORK PERFORMED BY THE SUPERVISORY COMMITTEE

During the year ended 31 December 2022, the major work performed by the Supervisory Committee included attending Board meetings; carefully reviewing the report of the Directors and profit appropriation proposal to be submitted by the Board for approval at the forthcoming AGM; strictly and effectively monitoring whether the policies and decisions made by the management of the Company had conformed with the applicable laws and regulations and the Articles of Association or safeguarded the benefits of the Shareholders. The Supervisory Committee also reviewed the performance of the Directors, general manager and senior management in the daily operation of the Company by various means, and seriously examined the Company's financial position and its connected transactions.

INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT ISSUES OF THE COMPANY IN 2022

Operation of the Company in Compliance with the Law

During the Reporting Period, the Board held board meetings and considered resolutions as well as convened and organized the general meeting and attended relevant meetings through undertaking their responsibilities and operating legally in accordance with laws and regulations and the Articles of Association. The Directors and senior management maintained the interests of the Company and the Shareholders by carrying out the resolutions made by the shareholders' general meetings and the Board, and acting diligently and responsibly in the management and operation of the Company.

None of the Directors and senior management of the Company were found to be in breach of the laws and regulations when discharging their duties and none of their acts were found to be detrimental to the interests of the Company and the Shareholders as a whole.

Financial Position of the Company

The Supervisory Committee duly reviewed and discussed the audited financial statements of the Company for the Reporting Period and considered that it gave an objective, true, reasonable view in compliance with the laws, regulations and the Articles of Association. It also gave a complete and objective picture of the Company without any false representations, misleading statements or material omissions.

In addition, the Supervisory Committee considered that the preparation of this annual report was in compliance with the laws, regulations and the Articles of Association and its disclosure gave a complete and true picture of the operation, management and financial position of the Company during the Reporting Period.

Use of IPO Proceeds

During the Reporting Period, the use of the IPO Proceeds strictly complied with the relevant regulations and disclosed application with standard procedures and without misappropriation of the proceeds.

Connected Transactions

Connected transactions (including continuing connected transactions) entered into by the Company during the Reporting Period complied with laws and regulations as well as the requirements of the relevant connected transaction agreements, and are fair and reasonable to the Company and the Shareholders without harming their interests.

OUTLOOK AND PROSPECTS FOR 2023

In 2023, the Supervisory Committee will continue to carry out its supervision and inspection duties accountable to all the Shareholders in strict accordance with relevant laws and regulations and the Articles of Association in order to safeguard the legal interests of the Company and the Shareholders and effectively regulate the operation and development of the Company.

By order of the Supervisory Committee

Gao Zhiyuan

Chairman of the Supervisory Committee

Rizhao, PRC, 31 March 2023

Environmental, Social and Governance Report 2022

ABOUT THE REPORT

(I) References for Preparation

Rizhao Port Jurong Co., Ltd. (hereinafter referred to as “**Jurong**”, the “**Company**”, the “**Corporation**”, “**we**”) 2022 Environmental, Social and Governance Report (hereinafter referred to as “**the Report**”, “**ESG Report**”) is prepared in compliance with the disclosure requirements of the *Environmental, Social and Governance Reporting Guide* (the “**ESG Reporting Guide**”) set out in Appendix 27 to *The Listing Rules (Main Board) of The Stock Exchange of Hong Kong Limited* (the “**HKEX**”). The Report has complied with the “comply or explain” provisions in the ESG Reporting Guide. An ESG index table is also provided at the end of the Report for ease of reference to readers.

The Report fully takes into consideration of our stakeholders’ views and the Company’s business characteristics with aims to help stakeholders and other readers to understand the Company’s ESG policies, measures and performance, and to enhance comprehensive communication and understanding between various stakeholders and the Company.

(II) Reporting Period

Unless otherwise stated, the Report covers the period from 1 January 2022 to 31 December 2022 (“**the reporting period**”).

(III) Reporting Coverage

We determined the scope of information disclosure with great caution. Base on consolidation scope specified in the annual financial statements, we make information disclosures by comprehensively considering the impact of the business on society and the environment, as well as the degree of impact on Jurong's ESG management. The Company does not have any other subsidiaries or affiliates.

(IV) Source of Information

The source of information and cases of the Report are mainly derived from the Company’s statistical reports, relevant documents and internal communication documents. The Company undertakes that there is no false record and misleading statement in the Report, and assumes responsibilities to the authenticity, accuracy and completeness of the information in the Report.

(V) Access and Response to the Report

The Report is published in traditional Chinese and English and its electronic version is available on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.rzportjurong.com). In case of any inconsistent statement between traditional Chinese and English version, the traditional Chinese version shall prevail.

We attach great importance to stakeholders' opinions and welcome readers to contact us through the channel below. Your comments will help us further enhance our ESG performance.

Email: projsunshinerzport@163.com

(VI) Reporting Principles

Materiality: When preparing the Report, the Company identified key stakeholders and key ESG issues of concern and made targeted disclosure according to the materiality of such issues.

Quantitative: In the Report, environmental and social key performance indicators (KPI) are shown in the form of quantitative data, and the measurement standards, methods, hypothesis and/or calculation tools, source of conversion coefficient for the KPIs are explained in their respective paragraphs.

Consistency: In the Report, the statistics method used for data disclosure is consistent with that of the prior year. Individual changes have been explained accordingly to ensure consistency.

I. ABOUT RIZHAO PORT JURONG CO., LTD.

Shandong Rizhao Port Jurong Co., Ltd. was established on March 17, 2011. Jurong is the first Sino-foreign joint venture terminal handling company of Shandong Rizhao port, listed on the main board of the Hong Kong Stock Exchange in June 2019 (Stock Code: 6117.HK). The Company is mainly engaged in the terminal service business of grain, wood chips and other types of goods and extended services such as railway cargo transportation agency. The import grain throughput has exceeded 10 million tonnes for two consecutive years, making Jurong the largest import port for soybeans and wood chips in China.

The Company has 9 productive berths, 1 general berth of 150,000 tonnes, 2 grain berths of 100,000 tonnes and 4 wood chips berths of 70,000 tonnes, bulk grain double-line ship unloading capacity of 3,000 tonnes/hour, 915,000 square meters yard, the maximum storage capacity of 1.37 million tonnes. Among them, we have 80 silos with the storage capacity of 467,000 tonnes, 100,000 square meters wood chip yard with the storage capacity of 350,000 tonnes, 2 automatic loading lines for bulk grain trains, railway unloading and daily transporting capacity of 15,000 tonnes and the annual delivery capacity of 3.85 million tonnes. We are the only coastal port in China with two 1,000-kilometer transit railways (Wa-Ri Railway and Xin-He-Yan-Ri Railway) (“瓦日铁路”“新菏兖日铁路”) directly connected to the port area.

Relying on the Shandong Port integration reform and development platform, Jurong serves the vast hinterland with high transport demand, efficient and convenient transportation, covering the vast Mid-west from Shandong to northern Jiangsu, Henan, Shanxi, Shaanxi and Sichuan. It covers an area of over 3 million square kilometers and radiates to more than 1/3 of the total population of China. We have also established stable business relations with more than 100 key customers, such as domestic state-owned enterprises, four international grain merchants and high-quality private enterprises.

In recent years, we have received numerous social recognition and related awards, including “The National May 4th Red Flag Regiment”, “The First Batch of Designated Ports for Imported Grain in China”, “First Place in China Port Technology Development”, “National Transportation and Logistics Reputable Enterprise”, “National Transportation and Logistics Quality Management Outstanding Enterprise”, “Leading Enterprise of Equipment Management in Shandong Province” “All-inclusive Innovation Enterprise of Rizhao City”, “Garden-style Company in Rizhao City” and “Leading Enterprise of Port and Shipping Safety Production of Rizhao City”. In 2022, the Company won the Golden Bee of Company’s Social Responsibility: China’s List of “ESG Competency Award in Customer-First Enterprise”, which is a big leap after winning the “Golden Bee Shortlisted Enterprise Award” for two consecutive years. The Company’s efforts in ESG have been recognized by the public.



Environmental, Social and Governance Report 2022 (Continued)

(I) Statement of the Board of Directors

The Company's Board of Directors makes the following statement compatible with the requirements of the *Environmental, Social and Governance Reporting Guide* (《環境、社会管治及報告指引》) of HKEX:

The Company's Board of Directors commits to assuming the ultimate responsibility for ESG governance. The ESG management leadership group, composed of various functional departments, is responsible for carrying out specific ESG work to push the Group's ESG work forward on a sustained basis.

The Board of Directors attaches great importance to significant impact that ESG risks may have on us. We perfect the list of ESG key issues annually based on ESG risk identification and the results of communication between stakeholders, and assess materiality of ESG issues through stakeholders' survey to learn priorities among ESG issues, thus clarifying the Group's focus on ESG governance. The analysis results of material issues in the current year have been reviewed and discussed by the Board of Directors.

To better review and manage the Company's environmental impact, the Company has set up ESG objectives, achievements of which are reviewed by the Board of Directors on a regular basis. The Board of Directors has reviewed and tracked progress in meeting the environmental goals for the current year and will continue to monitor the progress in the future.

The Report was reviewed and approved by the Board of Directors on March 31, 2023.

(II) SDGs Implementation



Environmental, Social and Governance Report 2022 (Continued)

In 2015, the United Nations formally adopted the *Change Our World-2030 Agenda for Sustainable Development* and proposed 17 Sustainable Development Goals (SDGs), aiming to eliminate poverty, hunger, inequality, climate change and other issues globally from 2015 to 2030. Based on the characteristics of its own business operations, the Company actively responds to the United Nations SDGs and strives to assume corporate citizenship responsibilities.

Key ESG Issues	Corresponding SDGs	Practice and Performance
Corporate Governance		<ul style="list-style-type: none"> The Company has set up an ESG management leading group, which integrates ESG management into the daily operation of the Company. The Company adheres to the business values of integrity to foster a corporate culture of integrity and compliance, and continues to educate directors and staff on integrity. Devote to technological innovation and explore smart ports.
Environment Management		<ul style="list-style-type: none"> The Company has established an environmental protection leading group with direct participation of the management, which coordinates the environmental management of the entire company. Integrate environmental management into the comprehensive assessment to effectively enhance the efficiency of environmental management. The Company has established a pollutant emission management system and is actively engaged in special environmental remediation work. Organize special meetings on environmental protection improvement to promote the employees' environmental protection awareness. Strengthen the resilience to climate change and mitigate the negative impacts of climate change-related risks.

Environmental, Social and Governance Report 2022 (Continued)

Key ESG Issues	Corresponding SDGs	Practice and Performance
Staff Care		<ul style="list-style-type: none"> • Strengthen safety management to protect employees' occupational health. • Improve employee benefits, pay attention to the physical and mental health of employees. • Build a comprehensive talent training and promotion system. • Develop a scientific management system for working hours to ensure that employees have a balance between work and life. • Care for female employees, safeguard their legitimate rights and interests, eliminate gender discrimination, and regularly hold various activities for female employees. • Establish smooth communication channels for employees to protect the democratic rights of them. • Focus on the humanistic care of employees and carry out various cultural and sports activities.
Product Quality and Customer Service		<ul style="list-style-type: none"> • Make six service commitments to improve service quality management. • Improve the efficiency of cargo receiving and unloading, establish a "unmanned smart port". • Provide one-stop "Whole-process logistics" services and constantly explore innovative business models. • Protect intellectual property rights and avoid infringing on the rights of others. • Insist on putting customers first and close 100% customer complaints. • Strengthen customer privacy protection to reduce the risk of information leakage. • Operate in compliance and avoid exaggeration in advertisement.
Supplier Management		<ul style="list-style-type: none"> • The entire process of the Company's bidding business is online, effectively improving procurement efficiency. • Adhere to fairness, impartiality and openness to prevent corruption and bribery risks in the procurement process. Strictly prevent collusion and bid-rigging.

Environmental, Social and Governance Report 2022 (Continued)

Key ESG Issues	Corresponding SDGs	Practice and Performance
Social Responsibility		<ul style="list-style-type: none"> Establish communication channels with the surrounding communities to actively give back to the society. Organize the youth to carry out voluntary activities such as “Hope Room” and “One-to-one” assistance, sympathize with poor children from “Hope Room”. Carry out the “Compassion One Day Donation” activity to help rural revitalization. The Company won the 2022 Golden Bee of Company’s Social Responsibility: China’s List of “ESG Competency Award in Customer-First Enterprise”.

(III) ESG Management

1. ESG Management Concept

The Company adheres to the mission of “developing ports, serving the society, and achieving employee value”, with the vision of “building an international first-class port”. We uphold the values of “integrity, responsibility, hard work, and innovation”, and promote the spirit of “the fighting spirit of Rizhao Port for a new era”. We strive to build a green port, undertake our social responsibility, and realize the value fusion of economy, environment and society on the basis of promoting the development of business operations.

In alignment with the listing rules of the HKEX, the Company has built an ESG management system featuring overall leadership of the Board of Directors and coordinated implementation of various departments to integrate ESG management into daily operations of the Company. The Board of directors is the highest responsible and decision-making body for ESG affairs, and assumes full responsibility for the Company’s ESG strategy and reporting. The ESG management leadership group under the Board of Directors is in charge of ESG governance strategy and reporting of the Company, and supervises important matters of ESG to ensure a well-designed and functional ESG management system. The coordination and promotion of each special ESG task are jointly implemented and improved by departments such as Office, Human Resources Office, Internal Audit Room, Securities Office, Financial Office, Safety and Environmental Protection Room, Marketing Centre and Technical Support Centre.



Environmental, Social and Governance Report 2022 (Continued)

2. Stakeholder Engagement

The Company has always believed that building close relationships with stakeholders is the key to promoting sustainable development. The Company has established smooth communication channels with the stakeholders and carried out continued communication. We fully understood the concerns and expectations of the stakeholders, and actively listened to and responded to the opinions and suggestions of the stakeholders.

The main stakeholders, identified issues of concern, and communication channels are listed below:

Stakeholders	Key issues of concern	Major communication and response channels
Government and regulators	Use of resources, reduce emissions, employment, production safety and occupational health, laws and rules abiding, honest construction	Regular meetings, document submission, information disclosure, policy consultation, etc.
Shareholders and investors	Service quality, laws and rules abiding, honest construction	Official website, shareholders' meeting, information disclosure, roadshow, etc.
Employees	Employment, employee rights protection, employee training and development, employee welfare, labour standards	Congress of workers, chairman of the trade union reception day, staff activities, staff interviews, etc.
Media	Reduce emissions, use of resources, ecological protection, climate change and response, employment, ecological protection	Enterprise interview, information disclosure, media conference, etc.
Suppliers	Supply chain environment and social risk management, service quality, laws and rules abiding, honest construction	Supplier inspection, public bidding meetings, telephone communication, opinion mailbox, etc.
Customers	Service quality, information safety and privacy protection, customer satisfaction	Official website, hotline, opinion mailbox, customer satisfaction survey, visits, meetings and forums etc.
Community	Ecological protection, community investment	Community activities, volunteer activities, information disclosure, etc.

Environmental, Social and Governance Report 2022 (Continued)

3. Materiality Identification and Assessment

This year, through the efficient communication with major stakeholders and based on questionnaire survey results, we performed a materiality assessment on 11 ESG issues listed in the *ESG Reporting Guide* (《ESG報告指引》), further refined the content of each issue and split them into 19 sub-issues, hoping to gain a more comprehensive understanding of stakeholders' evaluation and expectations on the Company, and clarifying the Company's focus on ESG governance to meet demands of various stakeholders.

We identified material issues comprising production safety and occupational health, compliance with laws and regulations, customer satisfaction, integrity construction, emissions reduction and service quality, and less material issues including protection of employee rights and interests, ecological protection, use of resources, information security and privacy protection, technological innovation, training and development of employees, employee benefits, supply chain environmental and social risk management, response to climate change, protection of intellectual property rights and community contribution.

The materiality assessment on ESG issues identified in 2022 is detailed as follows:



Environmental, Social and Governance Report 2022 (Continued)

II. PRACTICE GREEN

The Company shall take the construction of green port as the developing direction, actively respond to the national green development strategy and follow the national environmental protection requirements. We shall take environmental protection into account throughout business operations, proactively identify and address climate change risks to promote economic growth and harmonious ecological development.

This year, we set applicable ESG environmental targets which were relevant to our actual development:

Objectives	Content	Progress in 2022
Emission reduction	The comprehensive energy consumption per 10,000 tonnes throughput has appeared to be decreasing year by year since 2022, and it will be reduced to below 2.5 tonnes of standard coal per 10,000 tonnes throughput by 2026.	<ul style="list-style-type: none"> The Company's comprehensive energy consumption per 10,000 tonnes throughput is 2.56 tonnes of standard coal/10,000 tonnes throughput, and the Company will continue to work hard to achieve the emission reduction target in the future.
Waste reduction	Non-hazardous waste: Waste classification has been fully implemented across the region where the Company operates since 2022.	<ul style="list-style-type: none"> All non-hazardous waste has been sorted and disposed of this year.
	Hazardous waste: All hazardous waste generated in operation locations has been treated by qualified third parties as required since 2022.	<ul style="list-style-type: none"> During the year, the Company engaged qualified third parties to deal with hazardous waste in compliance.
Energy saving	The percentage of new energy vehicles within the Company to vehicles for the same purpose will be no less than 20% by 2030.	<ul style="list-style-type: none"> The Company is working hard to promote and increase the proportion of new energy vehicles in similar vehicles in order to successfully achieve environmental goals.
	All specialized berths of 50,000 tonnes or above within the Company will be fully equipped with shore power facilities by 2030.	<ul style="list-style-type: none"> During the reporting period, the Company has completed the construction of shore power equipment for one specialized berth of 50,000 tonnes and above, and there is still one under construction.

Environmental, Social and Governance Report 2022 (Continued)

Objectives	Content	Progress in 2022
Water saving	<p>Water consumption per 10,000 tonnes throughput has showed a downward trend year by year since 2022.</p> <p>By 2026, water consumption per 10,000 tonnes throughput will decline by 10% compared with that in 2021.</p> <p>By 2031, water consumption per 10,000 tonnes throughput will decline by 15% compared with that in 2021.</p>	<ul style="list-style-type: none"> Site spraying and road spraying business have increased according to the environmental protection requirements of Rizhao City, so water consumption has increased. The Company will strengthen water saving management to achieve water saving goals as soon as possible. In 2022, the unit consumption of 10,000 tonnes of water has increased compared with 2021, and the Company will increase investment in the field of water conservation in the future to achieve the goal of water conservation as soon as possible.

(I) Environment Management System

The Company strictly observes laws and regulations, including the *Environmental Protection Law of the People's Republic of China*, the *Marine Environment Protection Law of the People's Republic of China*, the *Atmospheric Pollution Prevention and Control Law of the People's Republic of China*, the *Law of the People's Republic of China on Water Pollution Control*, the *Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes*, the *Energy Conservation Law of the People's Republic of China*, and the *Cleaner Production Promotion Law of the People's Republic of China*, etc. We deeply combine cleaner production, environmental protection with development to build a smart green port on the path of sustainable development.

In compliance with the principles of “who is in charge is responsible”, “who organizes is responsible”, “who is in the post is responsible” and “territory management”, we clarify the environmental obligations of all employees, and set up an environmental protection leadership group with the participation of management to coordinate overall management of environment across the Company. This year, the Company has developed and issued policies and measures such as the *Environmental Protection Essentials of 2022* (《2022年環境保護工作要點》) and the “One District, One Policy” *Environmental Control Assessment Measures* (《“一區一策”環境管控考核辦法》), made detailed regulations and managed strictly on daily environmental protection, factory and surrounding road environment, construction site, etc. We also incorporate environmental protection management into all departments’ and teams’ comprehensive performance assessment to improve the efficiency of environmental management.

Environmental, Social and Governance Report 2022 (Continued)

In line with the principle of “address hidden hazards on the day they are identified”, the Company organized a series of investigation work covering the whole process this year, including: mechanical equipment pollution investigation, environmental protection equipment and facilities hidden danger investigation, environmental protection inspection, etc., solved the problems and hidden dangers found timely in the process of investigation, retired unqualified equipment and facilities, and increased the daily maintenance of equipment to ensure all kinds of machinery on the road maintaining good mechanical condition, and called for all-out efforts to fight a severe battle for environmental protection.

(II) Optimizing Use of Energy Resources

The Company further explores the business model of energy conservation and environmental protection, strives to building a green port. This year, we have revised the *Energy Management Policy* (《能源管理規定》) for various energy use and measurement in our daily operations. We have successfully obtained ISO 50001 Energy Management System certification through the priority of low energy consumption equipment and other measures to reduce energy consumption. In order to improve energy efficiency and reduce waste, the Company sets internal energy-saving targets every year, carries out refined management of energy use through specified responsibilities. We have gradually phased out facilities with negative environmental impact in daily operation. During the reporting period, we leased 8 electric vehicles to replace certain diesel pickup trucks, converted 2 fuel-consuming fog trucks into electric vehicles, reducing about 40,000 liters of diesel consumption. The Company has incorporated new energy alternatives into the Company’s future planning to build a green port with practical actions.

The Company attaches great importance to the protection of water resources. We cooperate with third-party professional institutions to carry out underground pipeline maintenance regularly to prevent the phenomenon of “running and dripping” and eliminate the waste of water resources from the source. At the same time, the Company makes full use of reclaimed water resources, installing a “reclaimed water crane” device (“中水加水鶴”裝置) at the dock berths, meeting the demand of some environmental protection equipment to install reclaimed water and further reducing the cost of water use.

(III) Emission Management

The Company strictly observes all regulations and requirements concerning environmental protection relevant to our operations. This year, we have revised the *Responsibility System for Prevention and Control of Hazardous Waste* (《危險廢物污染防治責任制度》) and the *Waste Emergency Plan* (《廢棄物應急預案》) to provide institutional guarantees for the compliance management of emissions. The Company has established a pollutant emission control system, actively carried out special rectification work, implemented the online management system of hazardous waste, strengthened the control of production and waste, storage, transfer and other processes, improved the ledger for hazardous waste entering or leaving the warehouses, established a “registration list” (“登記表”), and hired the qualified third party to deal with hazardous waste in compliance. In addition, we continuously encourage our employees, crew and suppliers to take responsibility for their actions, fulfill their environmental obligations, and strive to build a green port.

Environmental, Social and Governance Report 2022 (Continued)

The Company adopts a series of treatment measures for different types of emissions:

Wastes	The hazardous waste generated by the Company's operations mainly includes (mineral) oil-containing waste, waste filter, hazardous waste packaging, and used batteries. We have established a special repository for hazardous waste to classify and store it in compliance with regulations, and have hired a qualified third-party processing agency to handle all kinds of hazardous waste as required. The compliance disposal rate of hazardous waste has reached 100%. The non-hazardous waste produced is mainly domestic waste, waste generated by site cleaning, etc. Such waste is handed over to the property company for unified treatment in accordance with government requirements.
Gas emissions	The gas emissions generated by the Company mainly derive from oil-fueled motor vehicles and mechanical equipment. In strict compliance with the requirements of relevant national laws and regulations, we have formulated motor vehicle management measures to guarantee motor vehicles used and to be purchased meet national environmental protection standards.
Wastewater	All sewage (mainly dusty rainwater and domestic sewage) must be treated in accordance with regulations. This year, the Company rectified the sewage outlet into the sea and river, and strengthened the management of sewage treatment equipment. The Company recycles rainwater to alleviate water shortage more efficiently. For dusty rainwater, after treatment and reaching relevant standards, it will be reused road dust suppression and sprinkling, so as to realize the recycling of water resources to reduce waste.
Dust	The Company's main products are grain, wood chips and dried cassava, with the dust-control as the focus of our environmental governance work due to dust resulting from receiving and unloading. In strict accordance with the requirements of the <i>Dust Prevention and Control Operation Standards for Bulk Cargo Operations</i> (《散貨作業粉塵防控作業標準》), for dust generated in the processes of receiving and unloading, backhauling, stacking, shipping and loading, we add two steps of dust removal and collection to ensure effective dust control. Besides, we actively research new technologies for dust prevention and control. This year, we installed a dust removal system for shore-based equipment, including 8 dust removal equipment, and a 120-meter water curtain at the wood chip yard, reducing dust pollution effectively.

(IV) Improvement of Environmental Protection Awareness

This year, the Company formulated the *2022 Jurong Environmental Protection Work Requirements* (《2022年裕廊公司環境保護工作要求》) and the *Company's Environmental Key Issues and Environmental Rectification Task List* (《公司環境重點問題清單和環境整改任務清單》) to clarify the main task of environmental protection and remediation. In 2022, we raised environmental protection awareness through the following actions:

- In accordance with the work requirements of the *Specific Rectification Regarding Conducting Air Pollution Prevention and Control in Autumns and Winters* (《關於開展秋冬季大氣污染防治專項整治》) issued by the Ecology Environment Bureau of Rizhao City, we formulated a response plan for occasions of serious air pollution. We focused on prominent problems in operating points engaged in production at the first time, then solidified responsibilities and took quick actions to comprehensively enhance dust prevention and control capabilities and improve road cleaning, and finally conducted a centralized rectification regarding production organization, machinery and equipment and road cleaning.
- In conjunction with the on-site “5S” work (seiri, seiton, seiso, seiketsu, shitsuke), we made coordinated efforts to advance environmental protection activities named “Great Rectification and Improvement”, performing a comprehensive cleaning work for shore crane equipment, process equipment, yard equipment and facilities, protective nets, isolation piers, guardrails, belt conveyors, transfer towers, port boundary roads, etc. with the use of environmental protection machinery and equipment, car washing machines, guardrail washing cars and other equipment.
- We carried out environmental protection knowledge training to improve employees’ environmental awareness. The Company regularly organizes training meetings such as environmental protection rectification special meetings, and more than 3,000 people have been trained. We organize “the June 5th World Environment Day” learning activity to enhance environmental awareness. At the same time, we continue to create an environment in which the Company as a whole takes environmental protection seriously, organize company leaders, mid-level employees of environmental management and various departments to learn management systems and standardized operation regulations such as the “*One District, One Policy*” *Environmental Control Assessment Measures* (《“一區一策”環境管控考核辦法》) to strengthen employees’ awareness of environmental protection and promote the green, low-carbon and high-quality development of the port.

(V) Response to Climate Change

The climate change of coastal areas may have a direct impact on our business operations. Therefore, we make efforts to enhance our ability of responding to and combating climate change and mitigate the adverse effects of relevant risks. The Company has developed the *Jurong's Implementation Plan for Responding to Extreme Weather* (《裕廊公司應對極端天氣實施方案》), the *Jurong's Large-scale Mechanical Anti-gust and Anti-typhoon Safety Management Measures (Trial)* (《日照港裕廊股份有限公司大型機械防陣風防颱風安全管理辦法(試行)》) and other documents covering response measures against wind, frost, and skid, as well as duty during emergencies. We have set a list of emergency material reserve as well. In addition, an emergency leadership group for extreme weather is built to guarantee and drive the implementation of the above emergency plan in extreme weather. In view of the occasional heavily polluted weather conditions, the Company has made timely adjustments to the production organization, equipment, road cleaning and other aspects, actively cooperates with the national environmental protection work. This year, the Company has carried out 16 emergency drills for scenarios including the summer "four preventions", high temperature heat stroke, and anchoring during strong wind to enhance employees' risk awareness of climate change emergencies. In 2022, there were no production safety accidents resulting from major natural disasters.

Risk identification	Potential financial impact	Response
Physical risks Extreme weather including typhoons, etc. leads to disruptions of the port's operation	<ul style="list-style-type: none"> Lower income: Affected business operations; Assets adjustment: Impairment and depreciation of assets Rising expenditures: higher costs in covering goods stacks as a result of the maintenance of damaged infrastructure and equipment in the port 	<ul style="list-style-type: none"> Set up an emergency system and plan, and conduct emergency drills with regards to typhoon and flood prevention every year
Extreme weather causes transportation delays, thus affecting the quality of maritime transportation	<ul style="list-style-type: none"> Quality decline: Increase the difficulty of storage management Cost increase: Increase the difficulty of operation, increase the variable cost 	<ul style="list-style-type: none"> Classified storage, priority delivery, reduce storage cycle Develop single ship cargo service plan

Environmental, Social and Governance Report 2022 (Continued)

Risk identification	Potential financial impact	Response
<p>Transitional risks Accelerate the development of smart and green ports throughout the industry</p>	<ul style="list-style-type: none"> Rising costs: R&D and purchase of new equipment and technology 	<ul style="list-style-type: none"> Advance the construction of smart and green ports and implement the construction plan for smart and green ports on a gradual basis
<p>Widespread use of new energy-saving equipment makes the enterprise purchase new equipment to replace old ones.</p>	<ul style="list-style-type: none"> Assets reduction: Decommissioning of old equipment 	<ul style="list-style-type: none"> Promote the use of clean energy, new energy, and energy-saving equipment such as intelligent tally cart, etc.
Opportunity recognition	Potential financial impact	Response
<p>Develop a green and smart port to improve energy efficiency</p>	<ul style="list-style-type: none"> Lower operation costs 	<ul style="list-style-type: none"> Continuously increase investment in low-carbon and energy-saving technologies and develop energy-saving processes

(VI) Environmental Key Performance Indicators

Emissions⁽¹⁾	2022
Total GHG emissions ⁽²⁾ (Scope 1 and 2) ⁽³⁾ (tonnes)	21,696.75
Scope 1 GHG emissions (tonnes)	2,804.69
Scope 2 GHG emissions (tonnes)	18,892.06
Total GHG emissions per 10,000 tonnes of transportation (Scope 1 and 2) (tonnes per 10,000 tonnes throughput)	12.17
Total hazardous waste (tonnes)	20.77
Total hazardous waste per 10,000 tonnes of transportation (tonnes per 10,000 tonnes throughput)	0.01
Hazardous waste compliance rate (%)	100.00
Total non-hazardous waste (tonnes)	8,464.00
Total non-hazardous waste per 10,000 tonnes of transportation (tonnes per 10,000 tonnes throughput)	4.78

Environmental, Social and Governance Report 2022 (Continued)

Note:

- (1) Due to the Company's business features, the key air emissions of the Company are GHG emissions mainly from electricity and fuels derived from fossil fuels. As the Company is not a major polluter, the significance level of emissions data other than greenhouse gases is low, so it does not disclose. In addition, packaging materials are not applicable to the Company's operations.
- (2) The Company's GHG inventory includes carbon dioxide, methane and nitrous oxide, which are mainly derived from purchased electricity and fuels. GHG emissions data is presented in carbon dioxide equivalent and is based on the *2019 Baseline Emission Factors for Regional Power Grids in China* (《2019年度減排項目中國區域電網基線排放因子》) issued by the Ministry of Ecology and Environment of the People's Republic of China, and the *2006 IPCC Guidelines for National Greenhouse Gas Inventories* (2006年IPCC國家溫室氣體列表指南) issued by the Intergovernmental Panel on Climate Change (IPCC).
- (3) Scope 1 GHG emissions arise mainly from the direct energy (natural gas) by the Company's operation. Scope 2 GHG emissions arise mainly from the consumption of indirect energy (purchased or acquired electricity) by the Company's operation.

Energy and resources consumption

2022

Total comprehensive energy consumption ⁽¹⁾ (tonnes of standard coal)	4,568.41
in which:	
Gasoline consumption (tonnes of standard coal)	23.94
Diesel consumption (tonnes of standard coal)	1,165.28
Electricity consumption (tonnes of standard coal)	3,261.46
Liquefied natural gas consumption (tonnes of standard coal)	117.73
Total energy consumption per 10,000 tonnes of transportation (tonnes of standard coal per 10,000 tonnes throughput)	2.56
Total water consumption ⁽²⁾ (cubic meter)	459,245.00
Total water consumption per 10,000 tonnes of transportation (cubic meter per 10,000 tonnes throughput)	259.46

Notes:

- (1) Total energy consumption is calculated using direct energy and indirect energy data with reference to the coefficients in the *National Standards of the People's Republic of China General Principles for Calculation of the Comprehensive Energy Consumption* (GB/T 2589-2020) (《綜合能耗計算通則》(GB/T 2589-2020)).
- (2) Due to the Company's operational features, water consumption is mainly from operations and employees' domestic water. The Company's water resources consumed come from the municipal water supply. The Company has no issues in sourcing water. This year, in response to the environmental protection requirements of Rizhao City, the attendance rate of sinking equipment increased, so the water consumption increased.

III. ENHANCE SAFETY MANAGEMENT

(I) Production Safety Management

The Company attaches great importance to safety production management, strictly observes national and local laws and regulations including the *Production Safety Law of the People's Republic of China* etc., and adheres to the policy of “safety first, prevention foremost, and comprehensive governance”. We strive to reduce safety accidents in our business operations. The Company has consolidated the construction of safety management system, revised and issued rules and regulations such as the *Jurong Posts' Safety Production Responsibility System* (《日照港裕廊股份有限公司崗位安全生產責任制》) and the *2022 Jurong Safety Production Work Points* (《日照港裕廊股份有限公司2022年安全生產工作要點》) this year, and implemented the “one-vote veto system for safety production” (“安全生產一票否決制度”) and “one-post dual responsibility system” (post responsibilities and safety and environmental protection responsibilities) (“一崗雙責制度”) to provide a solid institutional guarantee for safety management.

The Company continues to improve the construction of safety responsibility system and see responsibilities fulfilled by employees at all levels. We set out a Safety Committee, in which the general manager, the deputy general manager and the main heads of departments serve as members, taking responsibility for the overall supervision, reviewing and managing safety-related issues. The Safety Committee conducts quarter meetings to discuss safety issues and potential dangers, reviews and updates the Company's safety control measures, as well as arranges the deployment of safety work. At the same time, we regard the work performance of safety production as one of the important assessments in personnel recruitment, selection and promotion, further improve the reward and punishment standards and measures, supervise the staff to enhance the awareness of work safety, effectively promote the implementation of safety production.

1. Compact Safety Responsibility and Improve Safety Awareness

This year, the Company revised the *List of Safety Production Responsibilities for All Employees* (《全員崗位安全生產責任清單》), *Hidden Danger Investigation and Management* (《隱患排查治理》) and the *Safety Inspection Management System* (《安全檢查管理制度》), etc. We established the daily notification and monthly summary safety management system, organized and conducted thorough training and publicity on the *Production Safety Law of the People's Republic of China* (《中華人民共和國安全生產法》), and enhanced the awareness of employees on production safety. We have established a monthly safety training mechanism at the Company level and a weekly safety training mechanism at the team level, set out a joint conference mechanism to implement the territorial management responsibility and print and distribute the *Safety Production Hidden Danger Atlas* (《安全生產隱患圖冊》) to strengthen employees' awareness of safety production. During the reporting period, 20 large-scale safety activities for safety production month and fire publicity month along with various safety inspections were carried out, 2,680 hidden dangers were identified and addressed.

2. Risk and Hidden Danger Management

According to the promotion plan of building the "risk control and hidden danger management system", we ensure production safety by risk identification and analysis, as well as safety control toward key areas and periods.

- **Risk identification:** We have comprehensively sorted out the risks of operational activities and 1,336 hidden risks were identified, 5,086 control measures were formulated. We implement commitments from the main responsible person and sign the responsible letter for safety production goals of each unit and room.
- **Safety control in key areas and periods:** We implement different safety control measures according to different seasons and times: in summer, formulate the *Summer "Four Preventions" Safety Production Work Plan* (《夏季“四防”安全生產工作方案》) to reduce the occurrence of personal injuries and safety accidents caused by meteorological disasters; In winter, formulate the *Winter "Four Preventions" Safety Production Work Plan* (《冬季“四防”安全生產工作方案》) to deal with extreme weather and improve the reserve capacity of emergency materials.

According to the actual production situation, we optimize the arrangement of on-duty teams, strictly implement the 24-hour on duty and leading system, clarify the night on-duty meeting mode, and strengthen the safety control during key periods.

3. Security Risks Identification and Analysis

The Company regularly analyzes the safety production situation according to the actual needs, convenes and organizes safety meetings and special safety production work meetings, and arranges safety production work at all stages to achieve the "five haves" safety management work standards ("五有"安全管理工作標準) of arrangement, deployment, inspection, tracking and implementation.

This year, the Company formulated the *Safety Production Inspection Implementation Plan* (《安全生產大檢查實施方案》) and the *On-site Outstanding Violation Problem Rectification Action* (《現場突出違章問題大整治行動》). We further improved the field safety inspection team, clarifying the responsibilities of the business unit in charge and key personnel, and strictly controlling the work site safety. Besides, employees were organized to carry out the work of identifying safety hazards while safety technical management personnel of sister units were invited to assist. The Company would implement the rectifying measures for problems identified in the inspection. With multiple parties' cooperation, the Company's safe production and stable operation could be realized. Employees must report occasional work-related injuries step by step if happened occasionally, and the Company took rapid and reasonable measures to control. At the same time, we continued to strengthen the input of informatization and replace manual defense with technological defense, consequently reducing the safety risk.

Environmental, Social and Governance Report 2022 (Continued)

There were no lost days due to work injury in the current year.

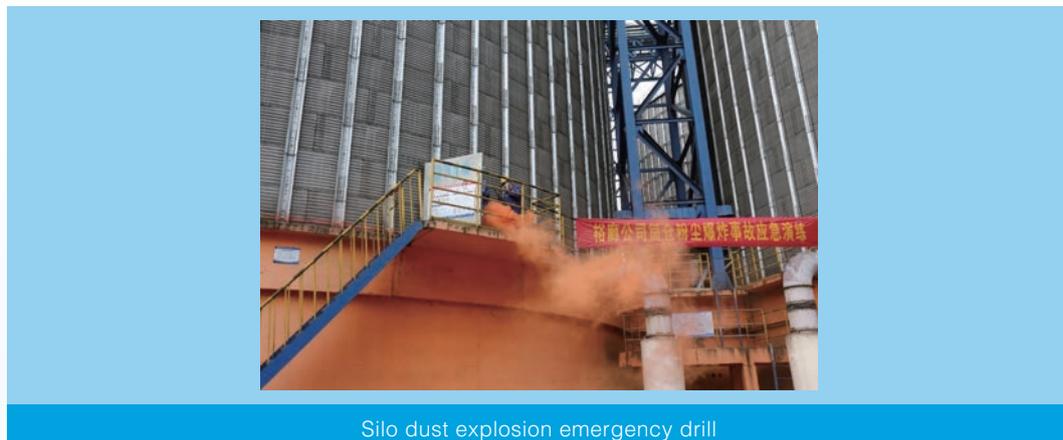
Indicators	2020	2021	2022
Number of work-related fatalities in the past three years	0	0	0
Rate of work-related fatalities in the past three years	0%	0%	0%

4. Fire Safety Management

In 2022, the Company revised regulations such as the *Fire Safety Management Regulations of Rizhao Port Jurong Co., Ltd.* (《日照港裕廊股份有限公司消防安全管理辦法》) and the *Measures for the Management of Fire Prevention of Rizhao Port Jurong Co., Ltd.* (《日照港裕廊股份有限公司動火作業管理辦法》). Various departments were regularly organized to carry out inspection, training and emergency drills of firefighting, during which problems identified were corrected. In the current year, over 10 fire drills were conducted according to the *Emergency Drill Plan* (《應急演練計劃》), including fire emergency response "no script" drill, fire publicity month emergency drill, silo dust explosion emergency drill and wood chip yard fire emergency drill, etc.; trainings at the Company level (both online and on-site lectures) were organized 3 times for fire safety education, concerning basic knowledge of fire prevention, fire prevention of electrical, fire hazard investigation and treatment.



Site of fire drill



(II) Occupational Health Management

The Company attaches importance to the occupational health of our employees, follows the *Law of the People's Republic of China on Occupational Diseases Prevention and Control* and other laws and regulations, and has formulated and implemented the *Responsibility System for the Prevention and Control of Occupational Diseases of Rizhao Port Jurong Co., Ltd.* (《裕廊公司職業病防治責任制度》) and the *Measures for the Administration of Labor Protection Equipment of Rizhao Port Jurong Co., Ltd.* (《日照港裕廊股份有限公司勞動防護用品管理辦法》). In respect of different equipment and facilities, we have made and distributed operation manuals to educate and ensure the health and safety of employees in production operations.

We regularly provide occupational health and safety training to our employees to improve their occupational health protection capabilities. This year, all units of the Company introduced daily occupational disease hazards to employees in detail. At the same time, pre-onboarding safety and occupational health education is carried out for new employees. During the reporting period, more than 1,600 people participated in the training.

According to the *Measures for the Administration of Labor Protection Equipment of Rizhao Port Jurong Co., Ltd.* (《日照港裕廊股份有限公司勞動防護用品管理辦法》), we distributed labor protection supplies to employees regularly and required employees in special positions to wear appropriate safety equipment and obtain specific qualification. We have established a labor insurance supplies management system. Through online management, we made the distribution of labor insurance supplies more accurate, convenient and user-friendly.

We have established a physical examination system, conducting annual physical examination for all employees. Meanwhile, we conducted occupational health checks for employees in special positions to reduce the harm caused to employees by occupational diseases. The Company attaches great importance to the health and safety of outsourcing labor and offers health physical examination. According to the terms of the outsourcing agreement, we require our outsourcers to comply with our safety occupational health standards. We perform assessments on outsourcers. If there exists non-compliant situation, we will require the outsourcing parties to make rectification.

(III) Strengthen Safety Education and Drills

In order to improve the safety awareness of our employees and enable them to master essential safety skills, we have established a safety education and training system. The system includes three levels of safety education training, management personnel safety education, special operations personnel safety education training, and other training modules. Safety training covers many aspects including safety laws and regulations, general safety technology, basic knowledge of labor hygiene and safety, accident case analysis, occupational disease prevention and emergency treatment. We conduct education both online and offline, invite external experts to enhance employees' safety awareness at all levels.

This year, the Company formulated the *2022 Jurong Emergency Drill Plan* (《裕廊公司2022年度應急演練計劃》), and actively launched various emergency drills such as firefighting and mechanical injury accidents, continuously rectified and optimized the drill mode according to the actual production on site. At the same time, we required third-party organizations and medical professionals to conduct training on emergency response skills and first aid knowledge, thus further enhanced the emergency response capability of employees at all levels. During the reporting period, the Company organized comprehensive, special and on-site emergency drills for 12 batches according to the emergency skills improvement requirements of the Shandong Port Group Co. LTD, and more than 570 people participated in the training with 100% pass rate.

IV. PROMOTE EMPLOYEE DEVELOPMENT

We strictly observe the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Social Insurance Law of the People's Republic of China* and other relevant laws and regulations, and have formulated internal rules and regulations including the *Administrative Measures for Employees' Participation in Social Insurance* (《員工參加社會保險管理辦法》), the *Measures for the Recruitment and Assignment of Employees* (《員工招聘和調配工作辦法》) and the *Measures for the Administration of Labor Contracts* (《勞動合同管理辦法》) to respect and protect employees' legal rights and interests. The Company regulates employee recruitment and resignation, working time, compensation, benefits, and performance promotion, etc. We are committed to building an equal and diversified working environment and harmonious labor relations for our employees.

(I) Recruitment and Labor Standards

1. Recruitment and Resignation

We adhere to the principle of equality, willingness and mutual agreement to legally recruit and dismiss employees. In terms of employment, payment, promotion, dismissal and retirement, we insist on treating employees equally regardless of nationalities, ethnicity, races, gender, religious beliefs and cultural backgrounds, strictly prohibit all forms of child labor employment, forced labor and discrimination, and conduct internal supervision over the aforementioned cases. We hire talents that meet the Company's development needs through social recruitment, campus recruitment, internal recommendation and self-recommendation. We follow the principles of information disclosure, process disclosure, and result disclosure. Each job applicant must provide information about educational background, qualifications and work experiences, which are reviewed and verified by the Human Resources Department. Once confirmed, we would sign labor contracts with employees in a timely manner to establish labor relations. This approach enables us to recruit proper applicants in accordance with the occupational requirements and avoid child labor.

During the reporting period, the Company did not engage in any situation such as child labor, forced labor, discrimination in employment, or gender discrimination etc. If there exists aforementioned situation, we will handle it in strict accordance with the laws and regulations and the Group's requirements. We follow the relevant regulations and procedures to handle resignation of employees. As of the end of the reporting period, the Company had 335 formal employees and 425 contracted workers.

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Employment and employee turnover		2022
Total workforce		335
Total workforce by gender	Total number of male employees	263
	Total number of female employees	72
Total workforce by age	Number of employees aged 30 (exclusive) and below	99
	Number of employees aged 30 to 50 (exclusive)	176
	Number of employees aged 50 (inclusive) or over	60
Total workforce by geographical region	Number of employees in Shandong Province	334
	Number of employees in other regions	1
Total workforce by employment type	Total Number of senior management personnel	6
	Total number of mid-level management personnel	20
	Total number of junior employees	309
Total number of employees resigned		2
The employee turnover rate by gender	Turnover rate of male employees	0.38%
	Turnover rate of female employees	1.39%
Turnover rate of employee by age	Turnover rate of employees under aged 30 (inclusive) and below	0.60%
	Turnover rate of employees aged 30 to 50 (exclusive)	0.00%
	Turnover rate of employees aged 50 or over (inclusive)	0.00%
Turnover rate of employees by geographical region	Turnover rate of employees in Shandong Province	0.60%
	Turnover rate of employees in other regions	0.00%

2. Salary and Benefits

We have revised regulations such as the *Salary Management Measures* (《員工薪資管理辦法》) and implemented a performance-based salary system to provide employees with reasonable salaries. In accordance with relevant laws, we provide social insurance and provident funds for employees. Our employee's salary mainly includes basic salary, performance salary, wage point salary and housing subsidy, allowance, etc. We provide employees with holiday benefits, labor insurance benefits, high temperature subsidies, "vegetable basket" services, meal supplements and other benefits. We also carry out the "first-line cooling" activity and provide summer heatstroke prevention and cooling fees. We assure our employees enjoy public holidays and paid vacations, as well as provide them with paid annual leave. During the reporting period, we innovated and optimized performance management that increased performance rewards, so that employees can gain more with more efforts and higher competence to mobilize their enthusiasm.



"First-line cooling" activity

3. Assessment and Promotion

We have established a talent development management system at all aspects, revised regulations including the *Employee Recruitment and Deployment Methods* (《員工招聘和調配工作辦法》), the *Measures for the Management Evaluation of Middle-level Management* (《中層管理人員管理考核辦法》), the *Measures for the Administration of Secondments* (《借調人員管理辦法》), etc. Through the above regulations, we have set a post-performance evaluation system that covers all employees. Therefore, we constantly improve the incentive mechanism in the promotion system. At the same time, we continue to improve our scientific and long-term employment mechanism, specify the career path for our employees, stimulate their personal potential, and maximize their individual value.

4. Employee Care

The Company provides employees with a variety of activities to enrich employees' spare time. In the current year, we organized our employees to participate in cultural and sports activities such as the Rizhao Port Group basketball, football, table tennis matches and backgammon competitions, advocate employees to combine work and rest and pay attention to work-life balance.



Table tennis matches

The Company cares for female employees, and has published the *Ten Opinions on Caring for Female Employees and Building a Harmonious Family (Trial)* (《關於關心關愛女員工、構建和諧家庭的十條意見(試行)》) to eliminate gender discrimination at the Company level. We always protect the legitimate rights and interests of female employees during pregnancy, childbirth and breastfeeding, actively extend maternity leave, provide maternity allowances and increase childcare leave for eligible female employees, so as to effectively solve their urgent difficulties and worries. We hold various activities for female employees such as the International Women's Day cake baking activity and strawberry picking activity to bring warmth to them.

The Company pays attention to the health of employees. For employees whose symptoms have not been relieved after recovering from COVID-19 infection, we provided free expert physician appointment and hosted Q&A session on the disease, with Chinese medicine experts diagnosing pulses on the spot and organize bodies, internal medicine experts giving the results of the physical examination on the spot and providing lung clearing and cough decoctions to employees to protect health.



"Health Room" free clinic activity

5. Visits and Care for Employees

The Company delivers warmth to employees on national holidays in light of the actual situation, and distributes moon cakes, fruits and beverages to staff to express holiday greetings. We actively carried out the activities of “Assistance in Difficulties” and “Love Donations”. Through visits and condolences to the needy employees, we conveyed the Company’s warm care to the needy people. In the current year, the Company visited employees in extreme poverty and provided special hardship relief fund of RMB13,000; RMB22,400 was invested in 25 visits to employees and their families which experienced marriage, childbirth, hospitalization, or decease this year.



Special team delivering warmth and cordial care

6. Employee Communication

We have paid high attention to employee communication and established smooth employee communication channels which can strengthen the relations between management and employees, and among employees. We hold regular Staff Congress that listen to suggestions made by employee representatives to ensure their rights in all aspects were implemented to review the Company’s major decisions and matters. In 2022, we have extensively listened to the opinions and suggestions of employees by conducting young employee seminars, first-line research and soliciting proper suggestions, thus effectively protecting the rights of employees to participate in, to manage and to supervise on a democratic basis. We continue to promote general affairs disclosure, taking the satisfaction and be-informed rate of employees as important indicators for assessing the work of factory affairs disclosure, and actively creating a positive atmosphere for employees to participate in democratic management.



Commendation ceremony of employee congress and trade union member congress



Symposium for young employees

(II) Development and Training

In order to deeply implement “the strategy of reinvigorating the port through human resource development” and improve the professional quality of employees, the Company has established a training system of “Jurong • Eagle talent”, focusing on cultivating five teams including middle managers, team leaders, professional and technical personnel, operational skills personnel, and young backbones:

- **Adhere to the Party's management of talents and consolidate the foundation of cultivation.** Talent training was listed in the ten key points of the year, a mechanism of “weekly score display, monthly summary and quarterly assessment” was established, and the *Training Management Measures* was revised.
- **Strengthen demand orientation and clarify training targets.** Set up three trainings (the middle-management innovation quality improvement class, the youth class, the professional improvement project), focusing on four dimensions (Party spirit, professional ability, comprehensive literacy, vision expansion) to improve employees' comprehensive qualities and business skills.
- **Build the cultivation model according to the actual production situation.** Learning contents is regularly sent to employees through the “Zhiniao Network Platform”, “Benchmarking Learning Platform” and “Skill Improvement Platform” and are updated in a timely manner. We organize employees to visit and learn from excellent enterprises in batches and help them upgrade professional qualification levels. We continue to cultivate professional talents based on production requirements.

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At the same time, the Company continues to create an atmosphere of “knowledge transferring”. After external trainings completed, those employees would share the knowledge learned with colleagues to expand positive effects as much as possible.

In 2022, we received many honors through solid talent development:

- ✧ Jurong won the title of “Rizhao City Technician Workstation” (“日照市技師工作站”).
- ✧ The shore engine class of the operation team won the titles of “Rizhao City Youth Safety Production Demonstration” (“日照市青年安全生產示範崗”) and “Shandong Port Youth Safety Production Demonstration” (“山東港口青年安全生產示範崗”).
- ✧ The youth league branch of the storehouse team won the honorary title of “Rizhao Port the May 4th Red Flag Youth League Branch” (“日照港五四紅旗團支部”), etc.

Training Types

Pre-onboarding Education and Training	We provided new employees and transferred employees with pre-job training on political ideology, professional ethics, rules and regulations, business skills, etc., so that they have the ability to perform their duties and meet the job requirements.
Job Training	In order to improve work efficiency and enhance the safety and quality awareness of the employees, in accordance with the responsibilities of each position, we conducted targeted training according to the needs.
Vocational Skills Training	According to the actual situation of the technical positions in the departments of the Company, we formulated practical training plans and programs, organized vocational skills training and appraisal.
Technical Knowledge Training	To drive the application and promotion of new technologies and methods, we organized special training for technical and management personnel on new equipment, new processes, etc.
Management Training	We conducted the training for middle-level management to improve their professional skills and execution capabilities. For general management, we carried out targeted professional technical training, including marketing, human resource management, financial management, etc.
External Training	We actively make use of external training resources to encourage employees to participate in external training organized by the Company. According to production needs, we arranged departments to attend external business skills training.

Environmental, Social and Governance Report 2022 (Continued)

KPI for Training Data in 2022

Proportion of trainees by gender (%)	Male (%)	100.0%
	Female (%)	100.0%
Proportion of trainees by category (%)	Proportion of senior management trained (%)	100.0%
	Proportion of middle-level management trained (%)	100.0%
	Proportion of grass-root employees trained (%)	100.0%
Training hours per capita by gender	Per capita training hours of male employees	59.2 hours
	Per capita training hours of female employees	57.9 hours
Training hours per capita by category	Per capita training hours of senior management	27.0 hours
	Per capita training hours of middle-level management	24.0 hours
	Per capita training hours of grass-root employees	62.2 hours

VI. PURSUE EXCELLENT OPERATIONS¹

The Company has updated the advanced port facilities and maintained the excellent operational efficiency to build the industry-leading integrated collection and distribution capacity. We continue to build a service reputation of “large berthing capacity, high unloading and transport efficiency, robust storage capacity, and superior discharging capacity” to enhance comprehensive competitiveness and international influence. We strive to become a leading port with responsibility, achievements, innovation, and openness.

(I) Promoting Quality

Ensuring excellent service quality is essential to customer satisfaction improvement. The Company has revised many quality control policies and rules including the *Jurong Service Quality Management Measures* (《裕廊公司服務質量管理辦法》), the *Jurong Freight Quality Management Measures* (《裕廊公司貨運質量管理辦法》) and the *Jurong Marketing Management measures* (《裕廊公司營銷管理辦法》). Jurong has set up six service commitments, improved service quality management comprehensively, standardized the operating environment, and ensured that customers are provided with high-quality port services.

Six service commitments

Large berthing capacity	The time for unloading soybeans in West-5 berth shall not exceed 3 days, the time for unloading soybeans in West-18 berth shall not exceed 3.5 days, and the time for unloading woodchips shall not exceed 4 days (single ship cargo).
High unloading and transport efficiency	The average time for grain cargo trains to stop at the port shall not exceed 7 hours, and the average time for the delivery truck to stop at the port shall not exceed 80 minutes/truck.
High measuring accuracy	We ensure that the unloading measurement accuracy is controlled within 2%.
Timely data provision	We ensure that the production data including storage capacity and storage temperature required by customers are provided before 9 o'clock every day.
Quick feedback	We adhere to the customer-centric management, implementing the “guaranteed satisfactory solution system”. We solve the problems and meet the requirements of the customers in a timely manner and give feedback for any those long-term problems within 3 days.
Integrity and self-discipline	It is prohibited to accept money, gifts, card coupons, banquets, etc. from customers and drivers, and cause difficulties for customers.

¹ The data of sold or shipped products and the terms of quality verification process and product recovery procedure do not apply to the industry as we do not produce nor sell any physical products.

1. Production Efficiency Improvement

Adhering to the production organization concept of “Efficiency, as life, matters the reputation of the port” and based on the service purpose of “We work hard to let you rest assured”, we focus on efficiency, strengthen communication and collaboration, optimize production model, improve the level of existing equipment and maintenance team, and build a production organization centered on unloading and transport efficiency. Besides, the Company actively carry out key actions of production and research on various issues, continuously improve service efficiency and quality.

The Company's wharf has been equipped with a highly automated and efficient conveyor belt and pipeline system, and the industry's leading grain silo storage capacity. Our unloading and transport system is directly connected to the production facilities of major customers and port yards, greatly improving the receiving and unloading efficiency. We provide customers with better services by securing berthing, warehouses and railway shipments. The application of Intelligent Tally Cart has realized intelligent tallying. This year, through the cooperation of many parties, our production and service efficiency has been significantly improved, and the railway shipments of inventory in ports exceeded 5 million tonnes for the first time.

The Company continues to optimize production scheduling, production mode, equipment management and maintenance management to further ensure production and service efficiency:

Dispatch	By strengthening the communication and cooperation and shortening the shutdown time of non-production operation, the Dispatch Center targeted at addressing bottleneck of efficiency constraints, optimized the unloading plan, and plans scientific storage, gave full play to the leading role of the production organization.
Operation	Optimized production model, innovative clean-out process and the advancement of unmanned clean-out contribute to a new high in unloading and transport efficiency.
Equipment	The investment in scientific and technological innovation was increased, and unmanned management of the work site was applied to achieve the transformation of the operation monitoring model; and scientific research was enhanced around risk points.
Maintenance	Steady progress was achieved for the overhaul and technical transformation project, and the ability to protect equipment was enhanced. The Maintenance Team focuses on equipment assurance and monitoring of key parts to maximize the system capabilities and ensure system efficiency.

2. One-stop “Berth to Factory” Service

In order to reduce the comprehensive logistics cost of our customers, we have started to provide one-stop “berth to factory” service since 2018, and continue to explore new business models around “ports + railways + shipping”. This year, the Company used the “one-stop service for grain delivery” to compete for the source of national reserve grain. In the early stage of the project, we explored the flow direction in advance and designed the train delivery plan, ensured the smooth delivery of reserve grain. At the same time, we lease silos outside the port to ensure storage space to improve the turnover efficiency of berths and yards; 1.4 million tonnes of soybeans and 650 thousand tonnes of corn were received and unloaded during the whole year.

(II) Technological Innovation and Patent Protection

Technological innovation is one of the important parts to ensure the sustainable development of enterprises. We encourage employees to carry out innovative and efficiency-improving activities. To protect employees' and the Company's inventions, and to avoid infringement of other parties' rights, we have carried out intellectual property rights protection activities in accordance with the *Patent Law of the People's Republic of China* and other relevant laws and regulations. As of the end of the reporting period, we had added 7 utility model patents.

This year, we carried out informatization transformations in production operations and outbound automobile transportation to form new advantages in the innovative development of the “smart port”:

- Using 5G and intelligent voice technology to upgrade the wireless broadcasting system, we have realized the automatic security warning and remote field management before the start of the process equipment as well as emergency broadcasting to the work site.
- Based on the centralized control architecture, relying on the Rizhao Port collection and distribution system, drawing on the design concept of “forced isolation” of parking gates, we have developed intelligent gate systems taking the on-board OBU as the logo, integrating hardware functions such as LED screens, RSU, CPE, I/O modules, and barrier gates, supporting with applications developed.



Intelligent gate system

2022 Innovation Awards

This year, the Company's employees won the bronze award of the "18th Shandong Youth Vocational Skills Competition Innovation and Efficiency Special Competition" with their work "AI Intelligent Epidemic Prevention System R&D and Application".



(III) Customer Services

In strict accordance with relevant laws and regulations including the *Company Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, the Company revised the *Management Measures of Customer Relationship* (《裕廊公司客戶關係管理辦法》), the *Management Measures of Customer Credit Rating* (《裕廊公司客戶信用等級評定管理辦法》), and the *Management Measures of Business Fee Collection* (《裕廊公司商務費收管理辦法》) to protect customers' interests. From the perspective of customers, we provide them with transportation plans and programs that suit their needs. To enhance our competitiveness and customer loyalty, we coordinate and integrate port-related resources, including logistics, waterway and highways, and policy information resources.

We have always been putting our customers first. By continuously improving the customer complaint system and handling process, we have established a special management system for freight and service quality to standardize the customer service process. Customers can consult and complain about problems through 24-hour supervision. For the complaints received, we will make effective allocation according to the complaint type to ensure that all kinds of problems are handled accurately and quickly. Besides, we also issue questionnaires periodically every year to conduct customer satisfaction survey, so as to fully understand customer needs and improve service quality. During the reporting period, we have received 22 responsible complaints about products and services, 100% customer complaint settlement rate.

In order to strengthen the privacy protection of customers, we have established a confidentiality management system related to information security and customer privacy protection. We set up independent sales teams for different types of business. Employees can access customer information only when relevant permissions are granted, so as to minimize the scope of personnel access to customer data; we require employees not to disclose customer information externally, and if potential leakage is found, anyone can report to the Company's Discipline Commission to reduce the risk of customer information leakage.

(IV) Compliance Operation

Complying with the principle of fair competition, and in accordance with relevant laws and regulations including the *Advertising Law of the People's Republic of China*, the *Trademark Law of the People's Republic of China* and other relevant laws and regulations, we resist any behavior that restricts market competition, adhere to the standardization of marketing activities and avoid exaggerate publicity. During the reporting period, the Company has signed a trademark licensing agreement with Shandong Port Group Co., Ltd. and was allowed to use the "Shandong Port | Rizhao Port" trademark for business purposes.

VII. SUPPLIER MANAGEMENT

Since 2022, all purchases of materials required for the Company's production and office are carried out relying on the Rizhao Port Group Bidding and Purchasing Center. We continue to comply with relevant systems such as the *Procurement Management Measures* (《採購管理辦法》), the *Implementation Rules for Daily Material Procurement* (《日常物資採購實施細則》), and the *Implementation Rules for the Procurement of Urgent Materials* (《急用物資採購實施細則》), and standardize the bidding and procurement process. For material procurement, we report the material demand through the internal material system of Rizhao Port Group Co., Ltd. The reported material demand will be transmitted from the internal material system to the Open Sunshine Procurement Platform², and the supplier will make public bidding and quotation for the reported materials on the Sunshine Procurement Platform. For projects with a purchase amount of RMB50,000 and above, the Company completed the purchase through the Sunshine Procurement Platform by adopting public bidding process. We strictly prevent any behavior of bid-rigging in the bidding process, and transparently announce the bidding results in a timely manner. When necessary, we will invite external experts to participate in the bid evaluation meeting to ensure the fairness and justice of the bid evaluation process. We also pay attention to the environmental and social capabilities and performance of all suppliers, actively identify possible risks of suppliers, standardize supplier access, and give priority to suppliers with environmental protection and occupational health and safety certifications under the same conditions.

Indicators	Indicators data in 2022	
Total number of suppliers		336
Number of suppliers by geographical region	Number of suppliers in Rizhao	152
	Number of suppliers outside Rizhao	184

² Sunshine Procurement Platform is under the state-owned assets supervision and administration commission of Shandong province's policy decisions, for the further implementation of the *Ten Comments from CPC Shandong Provincial Party Committee and Shandong Provincial Government on Accelerating the Reform of State-Owned Enterprises*. It is a third-party integrated service platform constructed and operated by the Shandong Province Public Resources (State-Owned Property Rights) Trading Center (Shandong Property Rights Trading Center) for enterprises to implement "sunshine procurement".

VIII. PERFECT INTEGRITY

(I) Integrity Management

The Company adheres to the business values of integrity, and is committed to creating a clean and compliant corporate culture. We have formulated documents such as the *Norms for the Accountability of Party Organizations* (《黨組織問責工作規範》), the *Measures for the Implementation of the First-Ranking Officials* (《“一把手”述責述廉實施辦法》), the *Measures for the Use of Disciplinary Inspection Proposals* (《紀律檢查建議書使用辦法》) and other documents. We also revised the *List of Party Committees Performing the Responsibilities of Comprehensively and Strictly Managing the Party* (《黨委履行全面從嚴治黨主體責任清單》). At the same time, we have clarified the responsibilities of internal audit department, made intensified efforts for internal audit supervision under the principle of combining punishment and prevention with prevention as the core to urge all departments to strictly follow the integrity management system.

We specify that the principal responsible persons of departments are the first responsible persons for the fight against corruption who are required to sign a letter of responsibility. We require employees to sign the *Integrity Commitment* (《廉潔承諾書》) and conduct regular home visits and talks regarding integrity. This year, the Company has re-identified the corruption risk points, promoted “the spot, line, surface, body” integrity risk prevention and control system construction, and advanced the targeted corruption risk prevention and control. We carried out self-examination of risk points in business processes and job responsibilities, compiled the Company’s accountability and authority operational chart, and formed a top-down integrity risk prevention and control mechanism.

We are committed to complying with applicable laws and regulations when conducting business, including relevant regulations of the Office of Foreign Assets Control of the United States Treasury Department (OFAC) that are applicable to the Company’s transactions. In order to strengthen anti-money laundering and compliance management of the OFAC, we have established an effective anti-money laundering and OFAC compliance management system, and continuously implemented the *Anti-Money Laundering and OFAC Compliance Management Measures* (《反洗錢及OFAC合規管理工作辦法》) to prevent all kinds of money laundering activities.

(II) Reporting Process

We provide smooth and diversified public channels for reporting corruption related acts, which is 7×24 unimpeded. Employees and all parties in the society can report frauds or unethical behaviors of employees or the Company through telephone, letter, email, etc.

We encourage employees to report relevant behaviors. The Company's General Office takes the responsibility of accepting signed or anonymous reports, recording and reporting to management, timely conducting investigation and processing, and then filing the report materials. For system and process deficiencies discovered during handling reported cases, we take appropriate and effective remedial measures and evaluate the improvement effects in a timely manner, thus forming a closed-loop management of the reports from reporting, receipt to case handling. For cases that violate the law, we transfer them to judicial organs for handling in accordance with the law. Besides, we prohibit any form of retaliation and strictly protect the rights and safety of complainants, whistleblowers and investigators. We will seriously handle those behaviors that leak the information of the informant in violation of regulations or take retaliation against the informant. During the reporting period, no concluded legal case regarding corrupt practices was brought against the Company or our employees.

(III) Media Communication and Training

The Company actively organizes anti-fraud and anti-corruption trainings and publicity activities. By carrying out honest publicity through newsletters and articles on WeChat Official Account, we strengthened the anti-corruption warning education, and created an atmosphere of integrity in the Company. We attach great importance to employee ideology training, carry out special rectification projects of "Changing work style, Strengthening the foundation, Grasping management, and Building image", and emphasize the "Two Responsibilities" (the main responsibility of the Party Committee and the supervision responsibility of the Discipline Inspection Commission). This year, we conducted special training on integrity for our employees, sent anti-corruption training materials to directors, and organized all employees to attend legal education and red education. More than 1,000 people participated in various education activities throughout the year. We engaged foreign lawyers to provide anti-corruption training to directors with an average of 1.5 hours.



Integrity training

IX. UNDERTAKE SOCIAL RESPONSIBILITY

We continue to establish communication channels with surrounding communities, understand their needs, and actively carry out various public welfare activities. We give back to society through practical actions and fulfill our social responsibilities as a “corporate citizen”. The Company won the 2022 Golden Bee of Company’s Social Responsibility: China’s List of “ESG Competency Award in Customer-First Enterprise”, which is a big leap after winning the “Golden Bee Shortlisted Enterprise Award” for two consecutive years, and the Company’s efforts in ESG have been recognized by the outside world.

In 2022, we continued to extend the “Jurong Youth School” program and we organized youth members to participate in voluntary service activities such as the “City Creation Community Volunteers” “Hope Room” “I Do Practical Things for the Masses” and other voluntary service activities, giving back positive youth energy to society. In combination with the activity of creating Rizhao a civilized city, the Youth League members of the Company spontaneously set up a volunteer service team to provide volunteer services in communities, took the initiative to conduct environment improvement and publicize relevant policies for building up an innovative city, making every effort to contribute to Rizhao’s striving for a civilized city.

This year, the Company continued to promote the “Hope Room” childcare project, carried out four “one-to-one assistance”, and sent “love gift packages” to children who were paired to help. We fully integrated the power of care and helped the healthy growth of children in need. And we carried out the “Compassion One Day Donation” activity to consolidate the achievements of poverty alleviation and help rural revitalization with a total of RMB34,700 donated.



Environmental, Social and Governance Report 2022 (Continued)

APPENDIX: HONG KONG STOCK EXCHANGE ESG REPORTING GUIDE CONTENT INDEX

Subject Area	Aspect	Performance indicators	Corresponding Chapters
ESG Management	Governance Structure	<p>A statement from the board containing the following elements:</p> <ul style="list-style-type: none"> (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses. 	About Rizhao Port Jurong Co., Ltd.
	Reporting Principles	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report (Materiality, Quantitative, Consistency).	About the Report
	Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	About the Report

Environmental, Social and Governance Report 2022 (Continued)

Subject Area	Aspect	Performance indicators	Corresponding Chapters
Environmental	A1 Emissions	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p> <p><i>Note:</i></p> <p>Air emissions include NO_x, SO_x, and other pollutants regulated under national laws and regulations.</p> <p>Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.</p> <p>Hazardous wastes are those defined by national regulations.</p> <p>A1.1 The types of emissions and respective emissions data.</p> <p>A1.2 Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).</p> <p>A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).</p> <p>A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).</p> <p>A1.5 Description of emissions target(s) set and steps taken to achieve them.</p>	Practice Green

Environmental, Social and Governance Report 2022 (Continued)

Subject Area	Aspect	Performance indicators	Corresponding Chapters
		A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Practice Green
	A2 Use of Resources	<p>General Disclosure</p> <p>Policies on the efficient use of resources, including energy, water and other raw materials.</p> <p><i>Note:</i></p> <p>Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</p>	Practice Green
		A2.1 Direct and/or indirect energy consumption by type (e.g. Electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Practice Green
		A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Practice Green
		A2.3 Description of energy use efficiency initiatives and results achieved.	Practice Green
		A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Practice Green
		A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable
	A3 The Environment and Natural Resources	<p>General Disclosure</p> <p>Policies on minimising the issuer's significant impacts on the environment and natural resources.</p>	Practice Green
		A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Practice Green

Environmental, Social and Governance Report 2022 (Continued)

Subject Area	Aspect	Performance indicators	Corresponding Chapters
	A4 Climate Change	<p>General Disclosure</p> <p>Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.</p> <p>A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.</p>	<p>Practice Green</p> <p>Practice Green</p>
Social	B1 Employment	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</p> <p>B1.1 Total workforce by gender, employment type, age group and geographical region.</p> <p>B1.2 Employee turnover rate by gender, age group and geographical region.</p>	<p>Promote Employee Development</p> <p>Promote Employee Development</p> <p>Promote Employee Development</p>

Environmental, Social and Governance Report 2022 (Continued)

Subject Area	Aspect	Performance indicators	Corresponding Chapters
	B2 Health and Safety	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to providing a safe working environment and protecting employees from occupational hazards.</p> <p>B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.</p> <p>B2.2 Lost days due to work injury.</p> <p>B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.</p>	<p>Enhance Safety Management</p> <p>Enhance Safety Management</p> <p>Enhance Safety Management</p>
	B3 Development and Training	<p>General Disclosure</p> <p>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</p> <p><i>Note:</i></p> <p>Training refers to vocational training. It may include internal and external courses paid by the employer.</p> <p>B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).</p> <p>B3.2 The average training hours completed per employee by gender and employee category.</p>	<p>Promote Employee Development</p> <p>Promote Employee Development</p> <p>Promote Employee Development</p>

Environmental, Social and Governance Report 2022 (Continued)

Subject Area	Aspect	Performance indicators	Corresponding Chapters
	B4 Labour Standards	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.</p> <p>B4.1 Description of measures to review employment practices to avoid child and forced labour.</p> <p>B4.2 Description of steps taken to eliminate such practices when discovered.</p>	Promote Employee Development
	B5 Supply Chain Management	<p>General Disclosure</p> <p>Policies on managing environmental and social risks of the supply chain.</p> <p>B5.1 Number of suppliers by geographical region.</p> <p>B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.</p> <p>B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.</p> <p>B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.</p>	Supplier Management

Environmental, Social and Governance Report 2022 (Continued)

Subject Area	Aspect	Performance indicators	Corresponding Chapters
	B6 Product Responsibility	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.</p> <p>B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.</p> <p>B6.2 Number of products and service-related complaints received and how they are dealt with.</p> <p>B6.3 Description of practices relating to observing and protecting intellectual property rights.</p> <p>B6.4 Description of quality assurance process and recall procedures.</p> <p>B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.</p>	<p>Pursue Excellent Operations</p> <p>Not applicable</p> <p>Pursue Excellent Operations</p> <p>Pursue Excellent Operations</p> <p>Not applicable</p> <p>Pursue Excellent Operations</p>

Environmental, Social and Governance Report 2022 (Continued)

Subject Area	Aspect	Performance indicators	Corresponding Chapters
	B7 Anti-corruption	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to bribery, extortion, fraud and money laundering.</p> <p>B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.</p> <p>B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.</p> <p>B7.3 Description of anti-corruption training provided to directors and staff.</p>	<p>Perfect Integrity</p> <p>Perfect Integrity</p> <p>Perfect Integrity</p> <p>Perfect Integrity</p>
	B8 Community Investment	<p>General Disclosure</p> <p>Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.</p> <p>B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).</p> <p>B8.2 Resources contributed (e.g. money or time) to the focus area.</p>	<p>Undertake Social Responsibility</p> <p>Undertake Social Responsibility</p> <p>Undertake Social Responsibility</p>



Independent Auditor's Report

**To the members of Rizhao Port Jurong Co., Ltd.
(incorporated in the People's Republic of China with limited liability)**

OPINION

We have audited the financial statements of Rizhao Port Jurong Co., Ltd. (the “**Company**”) set out on pages 130 to 197, which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (“**ISAs**”) issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the “**IESBA Code**”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report (Continued)

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key Audit Matter

How the matter was addressed in our audit

Revenue recognition – Provision of services

Refer to notes 2.15 and 5 to the financial statements

The Company recognised revenue of approximately RMB758,492,000 for the year ended 31 December 2022 in provision of services mainly including stevedoring of goods, storage and other port operations.

We identified the above matter as a key audit matter because revenue is one of the key performance indicators of the Company and there is an inherent risk over the recognition of revenue by the management to meet specific targets or expectations.

Our key audit procedures to address the recognition of revenue included the following:

- evaluated the design and implementation of management's internal controls over revenue recognition;
- evaluated the appropriateness of the recognition policy such as recognising over time or at a point in time and identifying performance obligations with reference to the relevant accounting standard;
- performed analytical procedures to assess whether the recognised revenue was in line with the expected level;
- selected samples from the shipment schedules and checked to underlying contracts and supporting documents to verify the revenue is recognised in accordance with the recognition policy; and
- performed cut-off test on a sample of revenue transactions before and after the financial year end date to assess whether the transactions were recognised in proper period by tracing to underlying contracts and supporting documents.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the 2022 annual report of the Company, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors assisted by the Audit Committee are responsible for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report (Continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

From the matter communicated with the Audit Committee, we determine the matter that was of most significance in the audit of the financial statements of the current period and is therefore the key audit matter. We describe this matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited

Certified Public Accountants

11th Floor

Lee Garden Two

28 Yun Ping Road

Causeway Bay

Hong Kong SAR

31 March 2023

Chi-Kit Shaw

Practising Certificate No.: P04834

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	5	833,490	758,421
Cost of sales		(536,226)	(500,081)
Gross profit		297,264	258,340
Other income	7	27,343	8,768
Other gains and losses, net	8	(797)	491
Impairment losses reversed/(recognised), net	9	536	(123)
Selling and distribution expenses		(4,273)	(4,194)
Administrative expenses		(28,951)	(14,968)
Finance costs	13	(21,700)	(22,245)
Profit before income tax	10	269,422	226,069
Income tax expense	14	(69,549)	(57,773)
Profit and total comprehensive income attributable to the owners of the Company for the year		199,873	168,296
Earnings per share attributable to the owners of the Company			
– Basic and diluted (<i>expressed in RMB</i>)	15	12.04 cents	10.14 cents

The notes on pages 137 to 197 are an integral part of these financial statements.

Statement of Financial Position

as at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	17	1,742,476	1,797,815
Deposits for purchase of property, plant and equipment		2,361	915
Investment properties	18	287,446	295,221
Intangible assets	19	3,302	2,806
Other non-current assets	20	973	1,107
		2,036,558	2,097,864
Current assets			
Inventories	21	2,669	3,350
Trade and other receivables	22	5,506	31,876
Bills receivable at fair value through other comprehensive income ("FVTOCI")	23	1,850	3,361
Contract assets	24	5,005	3,484
Cash and cash equivalents	25	852,658	592,669
		867,688	634,740
Current liabilities			
Trade and other payables	26	78,234	43,032
Contract liabilities	27	4,702	14,320
Lease liabilities	28	14,470	13,260
Advance payments from lease contract	29	2,375	2,375
Income tax payable		13,542	11,570
		113,323	84,557
Net current assets		754,365	550,183
Total assets less current liabilities		2,790,923	2,648,047

Statement of Financial Position (Continued)

as at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Non-current liabilities			
Lease liabilities	28	217,668	232,920
Advance payments from lease contract	29	14,844	17,219
Other payables	26	1,981	–
Deferred tax liabilities	30	2,823	4,300
		237,316	254,439
Net assets			
		2,553,607	2,393,608
CAPITAL AND RESERVES			
Share capital	31	1,660,000	1,660,000
Reserves		893,607	733,608
Total equity			
		2,553,607	2,393,608

Qin Yuning
Director

Cui Liang
Director

The notes on pages 137 to 197 are an integral part of these financial statements.

Statement of Cash Flows

for the year ended 31 December 2022

Note	2022 RMB'000	2021 RMB'000
Cash flows from operating activities		
Profit before income tax	269,422	226,069
Adjustments for:		
Depreciation of property, plant and equipment (including right-of-use assets)	116,115	114,462
Depreciation of investment properties	7,775	7,775
Amortisation of intangible asset	419	431
Release of lease payments received in advance	(2,375)	(2,375)
Interest income	(14,139)	(7,009)
Finance costs	21,700	22,245
Impairment loss (reversed)/recognised on trade receivables, net	(568)	84
Impairment loss recognised on contract assets	32	39
Gain on disposal of property, plant and equipment	(322)	(378)
Written-off of property, plant and equipment	1,283	–
Operating cash flows before working capital changes	399,342	361,343
Decrease in other non-current assets	134	135
Decrease in inventories	681	562
Decrease in trade and other receivables	26,938	16,052
Decrease in bills receivable at FVTOCI	1,511	7,639
Increase in contract assets	(1,553)	(2,033)
(Decrease)/Increase in trade and other payables	(8,600)	20,096
(Decrease)/Increase in contract liabilities	(9,618)	14,170
Cash generated from operations	408,835	417,964
Income tax paid	(69,054)	(54,784)
Net cash from operating activities	339,781	363,180

Statement of Cash Flows (Continued)

for the year ended 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
Cash flows from investing activities			
Payments and deposits placed for property, plant and equipment		(17,876)	(11,813)
Proceeds from disposal of property, plant and equipment		678	527
Payments for intangible assets		(915)	(327)
Interest received		14,139	7,009
Net cash used in investing activities		(3,974)	(4,604)
Cash flows from financing activities			
Proceeds from related parties		4,662	15,075
Repayment to related parties		(4,546)	(26,516)
Payment of lease liabilities	36	(14,360)	(12,501)
Interest paid	36	(21,700)	(22,245)
Dividends paid	16	(39,874)	-
Net cash used in financing activities		(75,818)	(46,187)
Net increase in cash and cash equivalents		259,989	312,389
Cash and cash equivalents at beginning of year		592,669	280,280
Cash and cash equivalents at end of year, represented by bank balances and cash	25	852,658	592,669

The notes on pages 137 to 197 are an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2022

	Share Capital RMB'000	Share Premium* (note 32(a)) RMB'000	Capital Reserve* (note 32(b)) RMB'000	Statutory Reserve* (note 32(c)) RMB'000	Retained Profits* RMB'000	Total RMB'000
Balance at 1 January 2021	1,660,000	105,245	159,077	46,608	254,382	2,225,312
Total comprehensive income for the year						
Profit and total comprehensive income for the year	-	-	-	-	168,296	168,296
Transactions with owners						
Appropriation for statutory reserve	-	-	-	16,858	(16,858)	-
Total transactions with owners	-	-	-	16,858	(16,858)	-
Balance at 31 December 2021	1,660,000	105,245	159,077	63,466	405,820	2,393,608

Statement of Changes in Equity (Continued)

for the year ended 31 December 2022

	Note	Share Capital RMB'000	Share Premium* (note 32(a)) RMB'000	Capital Reserve* (note 32(b)) RMB'000	Statutory Reserve* (note 32(c)) RMB'000	Retained Profits* RMB'000	Total RMB'000
Balance at 1 January 2022		1,660,000	105,245	159,077	63,466	405,820	2,393,608
Total comprehensive income for the year							
Profit and total comprehensive income for the year		-	-	-	-	199,873	199,873
Transactions with owners							
Appropriation for statutory reserve		-	-	-	20,282	(20,282)	-
Dividend paid	16	-	-	-	-	(39,874)	(39,874)
Total transactions with owners		-	-	-	20,282	(60,156)	(39,874)
Balance at 31 December 2022		1,660,000	105,245	159,077	83,748	545,537	2,553,607

* The reserves accounts comprise the Company's reserves of RMB893,607,000 (2021: RMB733,608,000) in the statement of financial position.

The notes on pages 137 to 197 are an integral part of these financial statements.

Notes to the Financial Statements

for the year ended 31 December 2022

1. GENERAL INFORMATION

Rizhao Port Jurong Co., Ltd. (the “**Company**”) is a joint stock company incorporated in the People’s Republic of China (the “**PRC**”) with limited liability. The registered office and headquarter of the Company is at South End, Haibin 5th Road, Rizhao City, Shandong Province, the PRC.

The Company’s immediate holding company, Rizhao Port Co., Ltd. (“**Rizhao Port**”), is a joint stock company with limited liability incorporated in the PRC and its shares are listed for trading on the Main Board of Shanghai Stock Exchange (Stock Code: 600017). In the opinion of the directors, the ultimate holding company is Shandong Port Group Co., Ltd. (山東省港口集團有限公司, “**Shandong Port Group**”). Shandong Port Group is a company incorporated in the PRC with limited liability and a state-owned enterprise ultimately controlled by Shandong Provincial State-owned Assets Supervision and Administration Commission.

The Company is primarily engaged in port operation in Rizhao City, Shandong Province of the PRC, which includes handling grains, woodchips and dried tapioca along with berth leasing, port services such as warehousing, cargo storage, transportation, and related supporting business.

Unless otherwise stated, the financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Company.

The financial statements for the year ended 31 December 2022 were approved for issue by the board of directors on 31 March 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These annual financial statements have been prepared in accordance with the International Financial Reporting Standards (“**IFRSs**”) which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and interpretations issued by the International Accounting Standards Board (“**IASB**”). The financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended IFRSs and their impacts on the financial statements, if any, are disclosed in note 3.

The financial statements have been prepared on the historical cost basis except for bills receivable which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management’s best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Foreign currency translation

The financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date). When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income.

2.3 Property, plant and equipment

Property, plant and equipment (other than construction in progress as described below and cost of right-of-use assets as described in note 2.12) are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The useful lives of each category of assets are as follows:

Buildings	10 – 40 years
Terminal facilities	50 years
Storage facilities	10 – 40 years
Loading equipment	8 – 15 years
Machinery equipment	8 – 12 years
Motor vehicles	6 years
Communication facilities and other equipment	5 – 8 years

Accounting policy for depreciation of right-of-use assets is set out in note 2.12.

Estimates of residual value, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Property, plant and equipment (Continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

Construction in progress represents properties, plant and equipment under construction and is stated at cost less any impairment losses. Cost includes cost of construction and other direct costs (such as costs of materials, direct labour and borrowing costs).

No provision for depreciation has been provided for construction in progress until such time relevant assets are available for use, at which time they will be transferred to appropriate category of property, plant and equipment.

2.4 Prepaid lease payments

Prepaid lease payments (which meet the definition of right-of-use assets) represent the upfront payment for long-term land lease in which the payment can be reliably measured. It is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight line basis over the term of the right-of-use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Company from use of the land.

2.5 Investment properties

Investment properties are terminal facilities which are owned or held under a leasehold interest (see note 2.12) to earn rental income/or for capital appreciation.

On initial recognition, investment property is measured at cost. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation of investment properties is calculated on the straight-line basis over the expected useful life. The principal expected useful life for this purpose is as follows:

Terminal facilities	40 – 50 years
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Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The following useful lives are applied:

Software	10 years
Rights to use sea area	40 years

The assets' amortisation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets with finite lives are tested for impairment as described below in note 2.16.

2.7 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, "Revenue from Contracts with Customers", all financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss ("FVTPL"), plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

The Company's financial assets are classified as financial assets at amortised cost or fair value through other comprehensive income ("FVTOCI").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial instruments (Continued)

Financial assets (Continued)

Classification and initial measurement of financial assets (Continued)

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs or other income, except for expected credit losses ("**ECL**") of trade and other receivables and contract assets which is presented on the face of the statement of profit or loss and other comprehensive income.

Subsequent measurement of financial assets

Debt investments – Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in other income in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Company's trade and other receivables and cash and cash equivalents fall into this category of financial instruments.

Debt investments – Financial assets at FVTOCI – recycling

If the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of ECL, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial instruments (Continued)

Financial liabilities

Classification and measurement of financial liabilities

The Company's financial liabilities include trade and other payables and leases liabilities.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at FVTPL.

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method except for derivatives which are not designated and effective as hedging instruments and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or other income.

Accounting policies of lease liabilities are set out in note 2.12.

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

2.8 Impairment of financial assets and contract assets

IFRS 9's impairment requirements use forward-looking information to recognise ECL – the “**ECL model**”. Instruments within the scope included loans and other debt-type financial assets measured at amortised cost and FVTOCI, trade receivables and contract assets recognised and measured under IFRS 15.

The Company considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (“**Stage 1**”) and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (“**Stage 2**”).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of financial assets and contract assets (Continued)

“Stage 3” would cover financial assets that have objective evidence of impairment at the reporting date.

“12-month ECL” are recognised for the Stage 1 category while “lifetime ECL” are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade receivables and contract assets

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. Note 38.4 set out the details of methodologies and assumptions used in estimating the loss allowance of trade receivables and contract assets.

Other financial assets measured at amortised cost and debt investments at FVTOCI

The Company measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Company recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial assets at the reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in regulatory, business, financial, economic conditions or technological environment that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations; and
- an actual or expected significant deterioration in the operating results of the debtor.

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of financial assets and contract assets (Continued)

Other financial assets measured at amortised cost and debt investments at FVTOCI (Continued)

Despite the foregoing, the Company assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

For internal credit risk management, the Company considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Detailed analysis of the ECL assessment of trade receivables, contract assets, other financial assets measured at amortised cost and debt investments at FVTOCI are set out in note 38.4.

2.9 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.11 Contract assets and contract liabilities

A contract asset is recognised when the Company recognises revenue (see note 2.15) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 2.8 and are reclassified to receivables when the right to the consideration has become unconditional (see note 2.7).

A contract liability is recognised when the customer pays consideration before the Company recognises the related revenue (see note 2.15). A contract liability would also be recognised if the Company has an unconditional right to receive consideration before the Company recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2.7).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Leases

(a) Definition of a lease and the Company as a lessee

At inception of a contract, the Company considers whether a contract is, or contains a lease. A lease is defined as “a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration”. To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct “how and for what purpose” the asset is used throughout the period of use.

For contracts that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Company is reasonably certain to obtain ownership at the end of the lease term. The Company also assesses the right-of-use assets for impairment when such indicator exists.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Leases (Continued)

(a) Definition of a lease and the Company as a lessee (Continued)

Measurement and recognition of leases as a lessee (Continued)

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payment of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise machinery equipment and small items of office equipment.

On the statement of financial position, right-of-use assets that do not meet the definition of investment property have been included in “property, plant and equipment”. The prepaid lease payments for storage facilities are presented as right-of-use assets in “property, plant and equipment” under non-current assets.

(b) The Company as a lessor

As a lessor, the Company classifies its leases as operating leases or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Company also earns rental income from operating leases of its investment properties. Rental income is recognised on a straight-line basis over the term of the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Provisions and contingent liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Company, are also disclosed as contingent liability unless the probability of outflow of economic benefit is remote.

2.14 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued at the reporting date.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent that they are incremental costs directly attributable to such equity transaction.

2.15 Revenue recognition

Revenue arises mainly from provision of facilities or services in port operations and gross rental income from properties under operating lease arrangement.

To determine whether to recognise revenue, the Company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Revenue recognition (Continued)

Revenue is recognised either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Company determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Company is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Company is an agent).

The Company is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Company is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Company does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Company acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Further details of the Company's revenue recognition policies are as follows:

Stevedoring service

Stevedoring service primarily involves bulk cargo, bulk grains, woodchips and dried tapioca. Stevedoring service is recognised over time for unloading the goods from vessels at rates per tonne of the goods handled as specified in the contract.

Storage service

The Company offers short-term storage service to meet the need of customers who require temporary storage for bulk cargos before they transport the cargos to the next destination. The storage service is recognised over time and charged at daily rates specified in the contract.

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Revenue recognition (Continued)

Port management services

The Company provides a variety of port-related services including berthing services and port facility security services. Port management services are recognised over time for vessel berthing at the berths and for the maintenance and repair of public facilities at the berths. The consideration for berthing service and port facility security services are charged at daily rates and rates per tonne of the goods handled, respectively, as specified in the contract.

Logistics agency services

The Company offers logistics services between the customers and various rail freighters and logistics providers. Relevant revenue is recognised at a point in time when the services are delivered.

Interest income

Interest income is recognised on an accrual basis using the effective interest method.

Rental income

Rental income is recognised according to accounting policy as set out in note 2.12.

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Impairment of non-financial assets (other than contract assets)

Property, plant and equipment (including right-of-use assets), deposits for purchase of property, plant and equipment, investment properties and intangible assets are subject to impairment testing. They are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purpose of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level.

Impairment losses is charged pro rata to the assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of such impairment is credited to profit or loss in the period in which it arises unless that asset is carried at revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for the revalued amount.

2.17 Employee benefits

Retirement benefits scheme

Retirement benefits to employees are provided through two kinds of retirement benefit plans including the basic pensions and the corporate annuity.

(a) Basic pensions

The Company's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to the bases and percentage prescribed by the relevant local authorities. When employees retired, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees and included into the profit or loss for the corresponding period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Employee benefits (Continued)

Retirement benefits scheme (Continued)

(b) Corporate annuity

Employees who retire on and subsequent to 1 January 2016 enjoy the corporate annuity plan set up by the Company in accordance with State's Corporate Annuity Regulations apart from basic pensions. The annuity is accrued by the Company in proportion to the payroll and the expenditure is included into profit or loss for the corresponding period.

Early retirement benefits

The Company provides early retirement benefits to certain eligible staff. A provision is made for the estimated liability for early retirement benefits as a result of services rendered by employees up to the reporting date.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Accounting for income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) the Company has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Accounting for income tax (Continued)

The Company presents deferred tax assets and deferred tax liabilities in net if, and only if:

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.19 Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Board of Directors of the Company for the purposes of allocating resources to, and assessing the performance of, the Company's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a major of criteria.

2.20 Government subsidies

Government subsidies are recognised at their fair value where there is a reasonable assurance that the subsidies will be received and the Company will comply with all attached conditions. Government subsidies are deferred and recognised in profit or loss over the period necessary to match them with the costs that the subsidies are intended to compensate. Government subsidies relating to the purchase of assets are included in liabilities as deferred government subsidies in the statement of financial position and are recognised in profit or loss on a straight-line basis over the expected lives of the related assets.

Government subsidies relating to income is presented gross under "other income" in profit or loss.

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Related parties

For the purposes of these financial statements, a party is considered to be related to the Company if:

- (a) the party, is a person or a close member of that person's family and if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Company are members of the same group.
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) the entity and the Company are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

3. ADOPTION OF NEW AND AMENDED IFRSs

Amended IFRSs that are effective for annual periods beginning on 1 January 2022

In the current year, the Company has applied for the first time the following amended IFRSs issued by IASB, which are relevant to the Company's operations and effective for the Company's financial statements for the annual period beginning on 1 January 2022:

Amendment to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018–2020

The adoption of the amended IFRSs had no material impact on how the results and financial position of the Company for the current and prior period have been prepared and presented.

Issued but not effective IFRSs

At the date of authorisation of these financial statements, certain new and amended IFRSs have been published but are not yet effective, and have not been adopted early by the Company.

IFRS 17	Insurance Contracts and related amendments ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to IAS 1	Non-current Liabilities with Covenants ²
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to IAS 8	Definition of Accounting Estimates ¹
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2024

³ Effective date not yet determined

The directors anticipate that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning on or after the effective date of the pronouncement, and these are not expected to have a material impact on the Company's financial statements.

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Estimate uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Depreciation and impairment assessment of property, plant and equipment and investment properties

Property, plant and equipment and investment properties (notes 17 and 18 respectively) are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values, if any. The Company reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during the reporting period. The useful lives are based on the Company's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Property, plant and equipment and investment properties are reviewed for possible impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determination as to whether and how much an asset is impaired involves management estimates on uncertain matters, such as the amount of tariffs which may have changed, the throughput capacity of the berths, etc. The impairment reviews and calculations are based on assumptions that are consistent with the Company's business plan. As at 31 December 2022, the carrying amounts of property, plant and equipment and investment properties were RMB1,742,476,000 and RMB287,446,000, respectively (2021: RMB1,797,815,000 and RMB295,221,000, respectively).

Provision for impairment of trade and other receivables and contract assets within the scope of ECL under IFRS 9

The Company makes allowances on items subjects to ECL (including trade and other receivables, contract assets and other financial assets) based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period as set out in note 38.4. As at 31 December 2022, the aggregate carrying amounts of trade receivables and contract assets amounted to RMB5,194,000 (net of ECL allowance of RMB104,000) and RMB5,005,000 (net of ECL allowance RMB109,000), respectively (2021: RMB31,186,000 (net of ECL allowance of RMB672,000) and RMB3,484,000 (net of ECL allowance RMB77,000), respectively).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

4.1 Estimate uncertainty (Continued)

Provision for impairment of trade and other receivables and contract assets within the scope of ECL under IFRS 9 (Continued)

The provision of ECL is sensitive to changes in estimates. When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade receivables and other items within the scope of ECL under IFRS 9 and credit losses in the periods in which such estimate has been changed.

4.2 Critical accounting judgment

Determination of the lease term in lease contracts and discount rate

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension options, or not exercise a termination option. Factors considered include:

- contractual terms and conditions for the optional periods compared with market rates (e.g. whether the amount of payments in the optional periods is below the market rates);
- the extent of leasehold improvements undertaken by the Company;
- costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the Company's needs); and
- significance to the Company's operation.

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated), which in turn affect the carrying amounts of lease liabilities and corresponding right-of-use assets.

In determining the discount rate, the Company is required to exercise considerable judgment in relation to determining the discount rate taking into account the nature of the underlying assets and the terms and conditions of the leases, at both the commencement date and effective date of the modification.

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

5. REVENUE

The Company's principal activities are disclosed in note 1 to the financial statements. The Company's revenue recognised during the year is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue from contracts with customers – Provision of services	758,492	672,721
Revenue from other sources – Rental income from investment properties	74,998	85,700
	833,490	758,421

Disaggregation of revenue from contracts with customers with the scope of IFRS 15

The Company derives revenue from the provision of services over time and at a point in time in the following types of services in the PRC:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Types of services		
Stevedoring service	602,871	577,095
Storage service	96,337	51,997
Port management service	23,492	16,319
Logistics agency service	35,792	27,310
Total	758,492	672,721
Timing of revenue recognition		
Over time	722,700	645,411
At a point in time	35,792	27,310
Total	758,492	672,721

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

6. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation, assessment of performance and focusing on revenue from rendering stevedoring, storage and ancillary services.

The management of the Company considers that the Company has one reportable operating segment. No operating segment information is presented other than the entity-wide disclosures.

Geographic information

The Company's revenue and profit are all derived from the PRC. All non-current assets are located in the PRC.

Information about major customers

The following table sets out the revenue from customers contributing over 10% of the total revenue of the Company during the reporting period.

	2022 RMB'000	2021 RMB'000
Customer A	101,405	73,207

7. OTHER INCOME

	2022 RMB'000	2021 RMB'000
Interest income	14,139	7,009
Government subsidies (<i>note a</i>)	64	1,299
Value-added tax credit (<i>note b</i>)	13,019	–
Others	32	460
Exchange gains	89	–
	27,343	8,768

Note a: Government subsidies mainly relate to the subsidies granted by the government in respect of operating and development activities and to provide financial support to the Company which are unconditional grants.

Note b: From 1 October 2019 to 31 December 2022, Ministry of Finance and the State Taxation Administration announced additional value-added tax credit policy for the production and living service industry. Taxpayers in the production and living service industry are allowed to credit the amount of input tax deductible in the current period plus 10% thereof against the amount of taxes payable upon fulfilment of certain conditions.

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

8. OTHER GAINS AND LOSSES, NET

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Gain on disposal of property, plant and equipment	322	378
Written-off of property, plant and equipment	(1,283)	–
Others	164	113
	(797)	491

9. IMPAIRMENT LOSSES REVERSED/(RECOGNISED), NET

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Impairment loss reversed/(recognised) on trade receivables, net	568	(84)
Impairment loss recognised on contract assets	(32)	(39)
	536	(123)

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

10. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting) the following:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Rental income from investment properties	74,998	85,700
Less: direct operating expenses incurred from investment properties	(7,775)	(7,775)
Net rental income from investment properties	67,223	77,925
Auditor's remuneration	915	753
Depreciation:		
– Property, plant and equipment	96,044	94,785
– Right-of-use assets	20,071	19,677
– Investment properties	7,775	7,775
Amortisation of intangible assets (<i>note a</i>)	419	431
Total depreciation and amortisation charged to profit or loss	124,309	122,668
Lease charges:		
– Short-term leases	9,380	23,859
– Leases of low-value items	83	53
– Variable lease payments	12,844	16,543
Directors' and supervisors' emoluments (<i>note 11</i>)	1,367	1,021
Other staff costs (exclude directors' and supervisors' emoluments):		
– Salaries, allowances and other benefits	59,049	52,363
– Retirement benefit scheme contributions	20,177	16,581
– Early retirement benefits	3,998	–
Total staff costs	84,591	69,965
Research and development costs recognised as expense (Included in administrative expenses)	3,774	–

Note:

- (a) The amortisation of intangible assets is included in "Administrative expenses" of the statement of profit or loss and other comprehensive income.

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' and supervisors' emoluments, disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

Name	Notes	Fees RMB'000	Salaries and allowances RMB'000	Discretionary bonuses RMB'000	Retirement benefit scheme contribution RMB'000	Total RMB'000
Year ended 31 December 2022						
<i>Executive director:</i>						
Mr. Zhang Feng	(vi)	-	431	238	206	875
<i>Non-executive directors:</i>						
Mr. Ooi Boon Hoe	(i)	-	-	-	-	-
Mr. Jiang Zidan	(i)	-	-	-	-	-
Mr. Pay Cher Wee	(i)	-	-	-	-	-
Mr. Chen Lei		-	-	-	-	-
Mr. Cui Liang		-	-	-	-	-
Mr. Fang Lei	(ii)	-	-	-	-	-
Mr. Seow Kok Leong Terence	(ii)	-	-	-	-	-
Mr. Nyan Ming Ren Francis	(ii)	-	-	-	-	-
<i>Independent non-executive directors:</i>						
Mr. Zhang Zixue		72	-	-	-	72
Mr. Lee Man Tai		72	-	-	-	72
Mr. Wu Xibin		72	-	-	-	72
<i>Supervisors:</i>						
Mr. Wang Wei	(iii)	-	13	73	20	106
Mr. Gao Zhiyuan	(iv)	-	18	127	25	170
Mr. Li Weiqing		-	-	-	-	-
Mr. Tham Wai Kong		-	-	-	-	-
		216	462	438	251	1,367

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

Name	Notes	Fees RMB'000	Salaries and allowances RMB'000	Discretionary bonuses RMB'000	Retirement benefit scheme contribution RMB'000	Total RMB'000
Year ended 31 December 2021						
<i>Executive directors:</i>						
Mr. He Zhaodi	(v)	–	73	175	37	285
Mr. Zhang Feng	(vi)	–	194	63	78	335
<i>Non-executive directors:</i>						
Mr. Ooi Boon Hoe		–	–	–	–	–
Mr. Shi Ruxin	(vii)	–	–	–	–	–
Mr. Jiang Zidan		–	–	–	–	–
Mr. Wang Yufu	(viii)	–	–	–	–	–
Mr. Pay Cher Wee		–	–	–	–	–
Mr. Chen Lei	(ix)	–	–	–	–	–
Mr. Cui Liang	(x)	–	–	–	–	–
<i>Independent non-executive directors:</i>						
Mr. Zhang Zixue		60	–	–	–	60
Mr. Lee Man Tai		60	–	–	–	60
Mr. Wu Xibin		60	–	–	–	60
<i>Supervisors:</i>						
Mr. Wang Wei		–	37	114	70	221
Mr. Li Weiqing		–	–	–	–	–
Mr. Tham Wai Kong		–	–	–	–	–
		180	304	352	185	1,021

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

Notes:

- (i) Mr. Ooi Boon Hoe, Mr. Jiang Zidan and Mr. Pay Cher Wee resigned as non-executive directors of the Company on 17 October 2022.
- (ii) Mr. Fang Lei, Mr. Seow Kok Leong Terence and Mr. Nyan Ming Ren Francis were appointed as non-executive directors of the Company on 28 December 2022.
- (iii) Mr. Wang Wei resigned as a supervisor and Chairman of the Supervisory Committee of the Company on 2 August 2022.
- (iv) Mr. Gao Zhiyuan was appointed as employee representative supervisor on 2 August 2022 and appointed as the Chairman of the Supervisory Committee of the Company on 19 August 2022.
- (v) Mr. He Zhaodi resigned as an executive director of the Company on 20 May 2021.
- (vi) Mr. Zhang Feng was appointed as an executive director of the Company on 20 May 2021 and resigned as an executive director of the Company on 15 February 2023.
- (vii) Mr. Shi Ruxin resigned as a non-executive director of the Company on 26 January 2021.
- (viii) Mr. Wang Yufu retired as Chairman of the Board and a non-executive director of the Company on 24 November 2021.
- (ix) Mr. Chen Lei was appointed as a non-executive director of the Company on 20 May 2021.
- (x) Mr. Cui Liang was appointed as Chairman of the Board and a non-executive director of the Company on 24 November 2021.

The executive directors' emoluments shown above were paid for their services in connection with the management of the operation affairs of the Company.

The supervisors' emoluments shown were paid for their services as supervisors.

Certain non-executive directors and supervisors did not receive any emoluments from the Company during the years ended 31 December 2022 and 2021. They received their emoluments from Rizhao Port and Jurong Port Rizhao Holding Pte Ltd (collectively "**Shareholding Companies**") because they hold positions at the Shareholding Companies.

The bonuses are discretionary and are determined by reference to the Company's and the individuals' performance.

No emoluments were paid by the Company to any directors as an inducement to join or upon joining the Company or as compensation for loss of office during the year (2021: nil).

There were no arrangements under which a director waived or agreed to waive any remuneration during the year ended 31 December 2022 (2021: nil).

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

12. FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

The five individuals whose emoluments were the highest in the Company for the year include one (2021: one) director and nil (2021: nil) supervisor whose emoluments are reflected in the analysis presented above. The aggregate emoluments payable to the remaining four (2021: four) individuals during the year are as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Salaries and other emoluments	1,219	761
Discretionary bonuses	677	502
Retirement benefit scheme contributions	713	358
	2,609	1,621

The remuneration of the remaining four (2021: four) individuals fell within the following band:

	2022	2021
Nil – HK\$1,000,000	4	4

No emoluments were paid by the Company to any of the five highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office during the year (2021: nil).

13. FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest expense		
– Interest on lease liabilities	21,700	22,245

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

14. INCOME TAX EXPENSE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax		
– PRC enterprise income tax (“EIT”)	71,026	59,135
Deferred tax (<i>note 30</i>)	(1,477)	(1,362)
	69,549	57,773

The provision for EIT were made based on estimated taxable profits calculated in accordance with income tax laws and regulations applicable in the PRC.

Under the Enterprise Income Tax Law of the PRC (the “EIT Law”) and Provision for Implementation of the EIT Law, the tax rate of the Company is 25% for the years ended 31 December 2022 and 2021.

Reconciliation between income tax expense and accounting profit at applicable tax rate is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit before income tax	269,422	226,069
Tax on profit before income tax of 25% (2021: 25%)	67,356	56,517
Tax effect of non-deductible expenses	2,193	1,256
Income tax expense	69,549	57,773

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

15. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2022 RMB'000	2021 RMB'000
Earnings		
Profit for the year attributable to the owners of the Company	199,873	168,296
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,660,000,000	1,660,000,000
Basic earnings per share (RMB cents)		
	12.04	10.14

(b) Diluted earnings per share

There are no dilutive potential ordinary shares in issue for the years ended 31 December 2022 and 2021. Therefore, the diluted earnings per share are equal to the basic earnings per share.

16. DIVIDENDS

The Company declared and paid 2021 final dividends of RMB39,874,000 during the year ended 31 December 2022 (2021: nil). On 31 March 2023, the Board resolved to declare a final dividend of RMB0.024 (tax inclusive) per share, totalling approximately RMB40,000,000 for the year ended 31 December 2022 to the Company's shareholders whose names appear on the register of members of the Company on 30 May 2023, subject to the consideration and approval on the same by shareholders at the forthcoming annual general meeting. This proposed dividend is not reflected as dividend payable in these financial statements.

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Terminal facilities	Storage facilities	Loading equipment	Machinery equipment	Motor vehicles	Communication facilities and other equipment	Construction in progress	Right-of-use assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021										
Cost	108,190	961,046	557,602	571,639	319,128	6,284	13,910	26,181	262,646	2,826,626
Accumulated depreciation	(43,614)	(127,620)	(177,223)	(384,325)	(190,784)	(4,249)	(10,561)	-	(38,726)	(977,102)
Net book amount	64,576	833,426	380,379	187,314	128,344	2,035	3,349	26,181	223,920	1,849,524
Year ended 31 December 2021										
Opening net book amount	64,576	833,426	380,379	187,314	128,344	2,035	3,349	26,181	223,920	1,849,524
Additions	186	-	-	395	172	7,058	799	3,486	34,828	46,924
Lease modification	-	-	-	-	-	-	-	-	15,978	15,978
Transfers	11,816	-	(188)	12,600	4,335	-	27	(28,590)	-	-
Disposals	-	-	-	(149)	-	-	-	-	-	(149)
Depreciation	(5,952)	(21,087)	(11,773)	(28,067)	(26,502)	(833)	(571)	-	(19,677)	(114,462)
Closing net book amount	70,626	812,339	368,418	172,093	106,349	8,260	3,604	1,077	255,049	1,797,815
At 31 December 2021 and 1 January 2022										
Cost	120,192	961,046	557,414	581,658	323,635	13,342	14,736	1,077	313,452	2,886,552
Accumulated depreciation	(49,566)	(148,707)	(188,996)	(409,565)	(217,286)	(5,082)	(11,132)	-	(58,403)	(1,088,737)
Net book amount	70,626	812,339	368,418	172,093	106,349	8,260	3,604	1,077	255,049	1,797,815
Year ended 31 December 2022										
Opening net book amount	70,626	812,339	368,418	172,093	106,349	8,260	3,604	1,077	255,049	1,797,815
Additions	1,208	-	-	3,238	1,999	1,843	1,548	52,261	-	62,097
Lease modification	-	-	-	-	-	-	-	-	318	318
Transfers	221	-	-	-	-	-	-	(221)	-	-
Disposals	-	-	-	(356)	-	-	-	-	-	(356)
Written-off	(1,276)	-	-	-	-	(7)	-	-	-	(1,283)
Depreciation	(6,174)	(21,087)	(11,771)	(27,206)	(26,716)	(1,899)	(1,191)	-	(20,071)	(116,115)
Closing net book amount	64,605	791,252	356,647	147,769	81,632	8,197	3,961	53,117	235,296	1,742,476
At 31 December 2022										
Cost	119,760	961,046	557,414	577,773	325,634	15,043	16,284	53,117	313,770	2,939,841
Accumulated depreciation	(55,155)	(169,794)	(200,767)	(430,004)	(244,002)	(6,846)	(12,323)	-	(78,474)	(1,197,365)
Net book amount	64,605	791,252	356,647	147,769	81,632	8,197	3,961	53,117	235,296	1,742,476

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2022 and 2021, included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	Carrying amount		Depreciation
	As at 31 December 2022 RMB'000	As at 1 January 2022 RMB'000	For the year ended 31 December 2022 RMB'000
Buildings	1,121	1,145	342
Terminal facilities	10,445	20,891	10,446
Storage yards	184,706	189,535	4,829
Storage facilities	13,406	16,087	2,681
Prepaid lease payments – storage facilities	2,188	2,625	437
Land use rights	21,027	21,634	607
Machinery equipment	2,403	3,132	729
	235,296	255,049	20,071

	Carrying amount		Depreciation
	As at 31 December 2021 RMB'000	As at 1 January 2021 RMB'000	For the year ended 31 December 2021 RMB'000
Buildings	1,145	516	319
Terminal facilities	20,891	–	10,445
Storage yards	189,535	194,364	4,829
Storage facilities	16,087	3,738	2,681
Prepaid lease payments – storage facilities	2,625	3,063	438
Land use rights	21,634	22,239	605
Machinery equipment	3,132	–	360
	255,049	223,920	19,677

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the year ended 31 December 2022, the total additions and lease modification to right-of-use assets included in property, plant and equipment amounting to RMB Nil (2021: RMB34,828,000) and RMB318,000 (2021: RMB15,978,000) respectively. Due to regular review of the Company's operations, the Company reviewed the leases at 1 January 2022 and concluded that the Company is reasonably certain to renew certain lease agreements in relation to buildings. The right-of-use assets increased by approximately RMB318,000 (2021: RMB15,978,000) during the year ended 31 December 2022 as a result of the modification.

The details in relation to these leases are set out in note 28.

As at 31 December 2022, the net carrying amounts for buildings located in the PRC of RMB64,605,000 (2021: RMB70,626,000) were erected on storage yards under lease arrangement with intermediate holding company, Shandong Port Rizhao Port Group Co., Ltd ("**Rizhao Port Group**") as set in note 28.

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

18. INVESTMENT PROPERTIES

Terminal facilities

RMB'000

At 1 January 2021

Cost	399,318
Accumulated depreciation	(96,322)

Net book amount

302,996

Year ended 31 December 2021

Opening net book amount	302,996
Depreciation	(7,775)

Closing net book amount

295,221

At 31 December 2021 and 1 January 2022

Cost	399,318
Accumulated depreciation	(104,097)

Net book amount

295,221

Year ended 31 December 2022

Opening net book amount	295,221
Depreciation	(7,775)

Closing net book amount

287,446

At 31 December 2022

Cost	399,318
Accumulated depreciation	(111,872)

Net book amount

287,446

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

18. INVESTMENT PROPERTIES (CONTINUED)

As at 31 December 2022, the fair value of the Company's investment properties was RMB296,065,000 (2021: RMB362,877,000). The fair value has been arrived at on the basis of a valuation carried out by the management's expertise (2021: management's expertise) who have the relevant experience to determine the fair value of the Company's investment properties.

Taking into considerations that the underlying land use right of the investment properties is leased from the related party as detailed in note 28 and the lack of comparable market information for similar lease arrangement, the corresponding properties have been valued by the cost approach with reference to their depreciated replacement cost, which falls into the category of fair value measurement using significant unobservable inputs (Level 3) including replacement costs, estimated useful life, etc. The directors of the Company are of the view that it is the best estimate of the fair value of these investment properties.

Details of the investment properties

As at 31 December 2022 and 2021, the Company held investment properties as follows:

No.	Name of investment property	Location	Existing use	Term of leasehold land
1.	West-4	Shijiu Port Area, Rizhao City, Shandong Province, PRC	Berth	Medium-term
2.	Woodchips-2	Shijiu Port Area, Rizhao City, Shandong Province, PRC	Berth	Medium-term
3.	Woodchips-3	Shijiu Port Area, Rizhao City, Shandong Province, PRC	Berth	Medium-term
4.	West-1	Shijiu Port Area, Rizhao City, Shandong Province, PRC	Berth and storage yard	Medium-term

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

19. INTANGIBLE ASSETS

	Software <i>RMB'000</i>	Rights to use sea area <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2021			
Cost	4,025	18	4,043
Accumulated amortization	(1,131)	(2)	(1,133)
Net book amount	2,894	16	2,910
Year ended 31 December 2021			
Opening net book amount	2,894	16	2,910
Additions	327	–	327
Amortisation	(430)	(1)	(431)
Closing net book amount	2,791	15	2,806
At 31 December 2021 and 1 January 2022			
Cost	4,352	18	4,370
Accumulated amortisation	(1,561)	(3)	(1,564)
Net book amount	2,791	15	2,806
Year ended 31 December 2022			
Opening net book amount	2,791	15	2,806
Additions	915	–	915
Amortisation	(418)	(1)	(419)
Closing net book amount	3,288	14	3,302
At 31 December 2022			
Cost	5,267	18	5,285
Accumulated amortisation	(1,979)	(4)	(1,983)
Net book amount	3,288	14	3,302

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

20. OTHER NON-CURRENT ASSETS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Taxes prepaid for rental income from properties under operating lease arrangement (<i>note</i>)	973	1,107

Note: Taxes prepaid represents the business tax and surcharges paid related to the advance receipt of lease payments as set out in note 29.

21. INVENTORIES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Low value consumables, at cost	2,669	3,350

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

22. TRADE AND OTHER RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables		
– Due from related parties (<i>note 35(c)</i>)	670	16,200
– Due from third parties	4,628	15,658
	5,298	31,858
Less: ECL allowance of trade receivables	(104)	(672)
	5,194	31,186
Prepayments	312	690
Total trade and other receivables	5,506	31,876

The directors of the Company consider that the fair values of the trade receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

The Company grants a credit period ranging from 15 to 90 days to its customers. Based on the invoice dates, the ageing analysis of the trade receivables, net of ECL allowance, was as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0 – 30 days	1,999	26,997
31 – 60 days	2,922	259
61 – 90 days	–	2,158
Over 90 days	273	1,772
	5,194	31,186

The movement in the ECL allowance of trade receivables is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Balance at 1 January	672	588
ECL allowance (reversed)/recognised during the year	(568)	84
Balance at 31 December	104	672

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

23. BILLS RECEIVABLE AT FVTOCI

The following is the ageing analysis of the bills receivables based on the maturity date:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 3 months	1,850	2,261
Over 3 months but within 6 months	–	1,100
	1,850	3,361

As at 31 December 2022, the Company had transferred to suppliers by endorsing the bills receivables of RMB4,150,000 (2021: RMB9,278,000). As those bills are issued by banks with high credit ratings assigned by international credit-rating agencies, the directors of the Company had assessed and satisfied that the Company had transferred substantially all of the risks and rewards relating to those bills. The Company had derecognised the full carrying amount of the bills receivables and the corresponding trade payables.

At 31 December 2022, the Company transferred certain bills receivable accepted by banks with a carrying amount of RMB1,850,000 (2021: RMB3,361,000) to certain of its suppliers. In the opinion of the directors, the Company has retained the substantial risks and rewards, which include default risks relating to such bills transferred, and accordingly, it continued to recognise the full carrying amount of these bills transferred and the associated payables settled.

The fair value measurements of the Company's bills receivable has been measured as described in note 38.5.

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

24. CONTRACT ASSETS

	2022 RMB'000	2021 RMB'000
Provision of stevedoring service	5,114	3,561
Less: ECL allowance of contract assets	(109)	(77)
	5,005	3,484

Note: The contract assets primarily relate to the Company's right to consideration for work completed but not yet billed at the reporting date. The contract assets are transferred to trade receivables when the corresponding billing is issued.

The movement in the ECL allowance of contract assets is as follows:

	2022 RMB'000	2021 RMB'000
Balance at 1 January	77	38
ECL allowance recognised during the year	32	39
Balance at 31 December	109	77

25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents balances carried interest at prevailing market interest rates ranging from 0.25% - 1.89% (2021: 0.3% - 1.89%) per annum during the year ended 31 December 2022. All cash and cash equivalents balances are denominated in RMB.

During the year ended 31 December 2022, Qingdao Port Finance Co., Ltd. (青島港財務有限責任公司) (“**QDP Finance**”) merged with Rizhao Port Group Finance Co., Ltd. (日照港集團財務有限公司) (“**RPG Finance**”), a subsidiary of Shandong Port Group, by way of absorption and merger. QDP Finance changed its name to Shandong Port Group Finance Co., Ltd. (山東港口集團財務有限責任公司) (“**SPG Finance**”).

At 31 December 2022, cash and cash equivalents balances comprised of cash deposited in SPG Finance, amounting to RMB200,009,000 (2021: RMB176,400,000).

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

26. TRADE AND OTHER PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables		
– Due to related parties (<i>note 35(c)</i>)	751	7,906
– Due to third parties	5,613	10,430
	6,364	18,336
Other payables		
– Amounts due to related parties (<i>note 35(c)</i>)	48,103	2,320
– Other tax payables	237	880
– Payroll payables (<i>note</i>)	10,705	4,885
– Retention payable due within one year	7,232	6,362
– Other payables	7,574	10,249
	73,851	24,696
Total trade and other payables	80,215	43,032
Less: Classified as non-current liabilities	(1,981)	–
Current portion of trade and other payables	78,234	43,032

Note: Included in payroll payables were early retirement benefits for employees of RMB2,017,000 and RMB1,981,000 classified as current and non-current liabilities respectively (2021: Nil).

The Company was granted by its suppliers credit periods ranging 30 to 90 days. Based on the invoice dates, the ageing analysis of the trade payables were as follows:

	2022 RMB'000	2021 RMB'000
0 – 30 days	5,872	15,975
31 – 60 days	403	2,272
61 – 90 days	–	–
Over 90 days	89	89
	6,364	18,336

All amounts are short-term and hence the carrying values of the Company's trade and other payables are considered to be a reasonable approximation of fair value.

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

27. CONTRACT LIABILITIES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Amounts received in advance		
– Provision of services	4,702	14,320

Contract liabilities represent the deposits received from the customers in advance of rendering services to customers.

The significant decrease of contract liabilities as at 31 December 2022 was due to decrease in advance payments received from contract customers (2021: significant increase of contract liabilities was due to increase in advance payments received from contract customers).

There was no revenue recognised in the reporting period that related to performance obligation that were satisfied in prior year. The contracts with customers in respect of the above contract liabilities have an original expected duration of less than one year and all consideration from contracts with customers have been included in the transaction price. The analysis on remaining performance obligations is therefore not presented.

Contract liabilities outstanding at the beginning of the year amounting to RMB14,320,000 (2021: RMB150,000) have been recognised as revenue during the year.

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

28. LEASE LIABILITIES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Total minimum lease payments (include renewal option that are reasonably certain to be exercised):		
Due within 1 year	35,410	34,954
Due within 1 to 2 years	24,907	36,259
Due within 2 to 5 years	74,200	93,427
Due more than 5 years	677,177	684,960
	811,694	849,600
Less: future lease liabilities finance charges	(579,556)	(603,420)
Present value of lease liabilities	232,138	246,180
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Present value of minimum lease payments:		
Due within 1 year	14,470	13,260
Due within 1 to 2 years	4,248	15,218
Due within 2 to 5 years	14,052	13,621
Due more than 5 years	199,368	204,081
	232,138	246,180
Less: payment due within 1 year (presented under current liabilities)	(14,470)	(13,260)
Payment due after 1 year	217,668	232,920

Note: Included in the above balance, the present value of RMB219,550,000 (2021: RMB221,822,000), RMB1,654,000 (2021: RMB2,770,000) and RMB10,934,000 (2021: RMB21,371,000) with total minimum lease payments of RMB798,517,000 (2021: RMB823,739,000), RMB1,966,000 (2021: RMB3,212,000) and RMB11,211,000 (2021: RMB22,422,000) represent lease liabilities payable to Rizhao Port Group, Rizhao Port Handling and Rizhao Port, respectively.

During the year ended 31 December 2022, the total cash outflow for the leases are RMB58,367,000 (2021: RMB75,201,000).

As at 31 December 2022, lease liabilities amounting to RMB232,138,000 (2021: RMB246,180,000) are effectively secured by the related underlying assets as the rights to the leased asset would be reverted to the lessor in the event of default by repayment by the Company.

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

28. LEASE LIABILITIES (CONTINUED)

Details of the lease activities

As at 31 December 2022 and 2021, the Company has entered into leases for the items listed as follows:

Types of right-of-use assets	Financial statements			Particulars
	items of right-of-use assets included in	Number of leases	Range of remaining lease term	
Buildings	Property, plant and equipment	1 (2021: 1)	3 years (2021: 3.58 years)	<ul style="list-style-type: none"> Only subject to monthly fixed rental payment
Terminal facilities	Property, plant and equipment	1 (2021: 1)	1 years (2021: 2 years)	<ul style="list-style-type: none"> Contract contains an option to terminate the lease by giving one month notice to the landlord Variable lease payments of 50% annual revenue generated by the terminal facilities
Storage yards	Property, plant and equipment	2 (2021: 2)	38.2 years (2021: 39.2 years)	<ul style="list-style-type: none"> Contracts contain an option to renew the lease for additional 30 years on the expiry of the original contracts Only subject to monthly fixed rental payment
Storage facilities	Property, plant and equipment	1 (2021:1)	5 years (2021: 6 years)	<ul style="list-style-type: none"> Only subject to yearly fixed rental payment
Prepaid lease payments – storage facilities	Property, plant and equipment	2 (2021: 2)	5 years (2021: 6 years)	<ul style="list-style-type: none"> All lease payments were prepaid upon entering the contracts
Land use rights in PRC	Property, plant and equipment	1 (2021:1)	35.5 years (2021: 36.5 years)	<ul style="list-style-type: none"> All lease payments were prepaid upon obtained the land use rights certificate
Machinery equipment	Property, plant and equipment	3 (2021: 3)	0.87 – 4.42 years (2021: 1.87 – 5.42 years)	<ul style="list-style-type: none"> Only subject to yearly fixed rental payment

The Company considered the renewal option of buildings, terminal facilities, storage yards, storage facilities and machinery equipment are reasonably certain to be exercised because the leases are critical to the Company's main operation. The Company considered that no extension option or termination option in the other lease contracts would be exercised at the lease commencement date.

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

29. ADVANCE PAYMENTS FROM LEASE CONTRACT

	2022 RMB'000	2021 RMB'000
Lease payments received in advance	17,219	19,594
Less: Classified as current liabilities – Advance payments from lease contract	(2,375)	(2,375)
Non-current portion of lease payments	14,844	17,219

30. DEFERRED TAX

The movement during the year in the deferred tax assets/(liabilities) is as follows:

	Loss allowance for receivables and contract assets RMB'000	Accrued expenses RMB'000	Temporary difference arising from depreciation of property, plant and equipment RMB'000	Total RMB'000
At 1 January 2021	157	–	(5,819)	(5,662)
Credited to profit or loss (note 14)	30	–	1,332	1,362
At 31 December 2021 and 1 January 2022	187	–	(4,487)	(4,300)
Credited to profit or loss (note 14)	(135)	1,002	610	1,477
At 31 December 2022	52	1,002	(3,877)	(2,823)

31. SHARE CAPITAL

	Domestic shares	H shares	Number of shares	RMB'000
Issued and fully paid-up ordinary shares with par value of RMB1 each				
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	840,000,000	820,000,000	1,660,000,000	1,660,000

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

32. RESERVES

(a) Share premium

Share premium represents the excess of the net proceeds from issuance of the shares of the Company over its par value.

(b) Capital reserve

The capital reserve represents the transfer of retained earnings and statutory reserve of the Company upon conversion to a joint stock limited liability company in the PRC in 2018.

(c) Statutory reserve

In accordance with the relevant laws and regulations for the Company, it is required to transfer at least 10% of its annual net profit determined in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of PRC, after offsetting any prior years' losses, to the statutory reserve. When the balance of such a reserve reaches 50% of the registered capital of the respective company, any further appropriation is at the discretion of shareholders. The statutory reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the reserve after such an issue is not less than 25% of registered capital. The statutory reserve is non-distributable.

33. LEASE ARRANGEMENT

As lessor

At 31 December 2022 and 2021, the Company had future aggregate minimum lease receivables under operating leases in respect of premises as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within one year	73,942	73,942
After one year but with two years	73,942	73,942
After two years but within three years	73,942	73,942
After three years but within four years	73,941	73,941
After four years but within five years	73,941	73,941
Over five years	195,017	268,959
	564,725	638,667

Operating lease receivables represents rental receivable by the Company for its properties under operating lease arrangements. Lease are negotiated with fixed lease term ranging 17 to 30 years (including renewal periods).

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

34. CAPITAL COMMITMENTS

	2022 RMB'000	2021 RMB'000
Capital expenditure contracted but not provided for acquisition of property, plant and equipment	623,627	74,754

35. CONNECTED AND RELATED PARTY TRANSACTIONS

The Company's accounting policies on related parties are disclosed in note 2.21. In addition to the transactions/information disclosed elsewhere in these financial statements, during the year, the Company had the following material transactions with related parties:

(a) During the year, the connected and related parties that had transactions with the Company were as follows:

Name of related parties	Relationship with the Company
Rizhao Port Group	Intermediate holding company
Rizhao Port	Immediate holding company
Rizhao Port Information Technology Co., Ltd.# (日照口岸信息技術有限公司) (“ Rizhao Port Information ”)	Fellow subsidiary of the Company
Rizhao Port Power Engineering Co., Ltd.# (日照港動力工程有限公司) (“ Rizhao Port Power ”)	Fellow subsidiary of the Company
Shandong Gangwan Construction Group Co., Ltd.# (山東港灣建設集團有限公司) (“ Shandong Gangwan ”)	Fellow subsidiary of the Company
Rizhao Port Construction and Supervision Co., Ltd.# (日照港建設監理有限公司) (“ Rizhao Port Supervision ”)	Fellow subsidiary of the Company
Rizhao Port Machinery Engineering Co., Ltd.# (日照港機工程有限公司) (“ Rizhao Port Machinery ”)	Fellow subsidiary of the Company
Shandong Port Technologies Group Rizhao Co., Ltd.# (山東港口科技集團日照有限公司) (“ Shandong Technologies ”)	Fellow subsidiary of the Company
Rizhao Port Handling Co., Ltd.# (日照海港裝卸有限公司) (“ Rizhao Port Handling ”)	Fellow subsidiary of the Company
Rizhao Zhongran Marine Fuel Supply Co., Ltd.# (日照中燃船舶燃料供應有限公司) (“ Rizhao Zhongran Marine Fuel ”)	Fellow subsidiary of the Company
Rizhao Port Container Development Co., Ltd.# (日照港集裝箱發展有限公司) (“ Rizhao Port Container ”)	Fellow subsidiary of the Company
Shandong Lanxiang Construction Engineering Co. Ltd. (山東藍象建築工程有限公司) (“ Shandong Lanxiang ”)	Fellow subsidiary of the Company
Rizhao Port Lanshan Port Services Co., Ltd.# (日照港股份有限公司嵐山港務有限公司) (“ Rizhao Port Lanshan ”)	Fellow subsidiary of the Company

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

35. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) During the year, the connected and related parties that had transactions with the Company were as follows: (Continued)

Name of related parties	Relationship with the Company
Shandong Port International Trade Group Rizhao Ltd# (山東港口國際貿易集團日照有限公司) (“Shandong Port International Trade Rizhao Company”)	Fellow subsidiary of the Company
SPG Finance (note)	Fellow subsidiary of the Company

The English translation of the name of the company established in the PRC is for reference only. The official name of the company is in Chinese.

Note: RPG Finance was the predecessor entity of SPG Finance (note 25).

- (b) During the year, the material transactions with related parties of the Company were as follows:

		2022 RMB'000	2021 RMB'000
Rizhao Port Group	Interest paid on lease liabilities	20,785	20,898
Rizhao Port Group	Procurement of logistics service (note)	19,280	11,470
Rizhao Port Group	Stevedoring and port related service income (note)	19,116	8,446
Rizhao Port Group	Procurement of port related services (note)	14,596	11,329
Rizhao Port	Procurement of utility services and berth leasing expense (note)	13,091	21,393
Rizhao Port	Interest paid on lease liabilities	773	1,247
Rizhao Port Container	Berth leasing income (note)	5,651	16,024
Shandong Gangwan	Procurement of construction service	47,147	1,358
Rizhao Port Handling	Procurement of port related services (note)	34,013	65,517
Rizhao Port Handling	Interest paid on lease liabilities	132	98
Rizhao Zhongran Marine Fuel	Procurement of utility services (note)	7,206	5,851
Rizhao Port Power	Procurement on utility services (note)	25,057	22,310
SPG Finance	Interest income (note)	2,819	2,734
Rizhao Port Lanshan	Procurement of port related services (note)	20,526	21,058
Shandong Port International Trade Rizhao Company	Stevedoring and port related service income (note)	13,332	13,363

Note: The related party transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are disclosed in “Directors’ Report” section to the annual report.

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

35. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Related party balances

Amounts due to related parties (non-trade nature)

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Rizhao Port Machinery	101	84
Shandong Technologies	65	17
Rizhao Port Supervision	–	18
Shandong Gangwan	46,953	2,120
Rizhao Port Information	40	40
Rizhao Port Group	921	10
Rizhao Port Handling	6	6
Shandong Lanxiang	–	25
Rizhao Port Power	17	–
	48,103	2,320

Amount due from related parties (trade nature)

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Rizhao Port Group	278	–
Rizhao Port	392	–
Rizhao Port Container	–	16,200
	670	16,200

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

35. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Related party balances (Continued)

Amount due to related parties (trade nature)

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Rizhao Port	751	–
Rizhao Port Handling	–	3,362
Rizhao Port Container	–	4,544
	751	7,906

Prepayments to related parties for procurement on utility services

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Rizhao Zhongran Marine Fuel	120	120
Rizhao Port Group	73	65
	193	185

Lease liabilities payables

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Rizhao Port	10,934	21,371
Rizhao Port Handling	1,654	2,770
Rizhao Port Group	219,550	221,822
	232,138	245,963

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

35. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Related party balances (Continued)

Right-of-use assets – Prepaid lease payments

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Rizhao Port Group	2,188	2,625

The amounts due are unsecured, interest-free and repayable on demand.

(d) Cash and cash equivalents balances placed with related company

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
SPG Finance	200,009	176,400

(e) Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Salaries, allowances and benefits in kind	3,166	2,288
Pension contributions	1,200	654
	4,366	2,942

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The changes in the Company arising from financing activities can be classified as follows:

	Amounts due to related parties <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Total <i>RMB'000</i>
1 January 2022	2,320	246,180	248,500
Financing cash-flows:			
– Repayment	(4,546)	–	(4,546)
– Proceeds	4,662	–	4,662
– Capital element of lease rentals paid	–	(14,360)	(14,360)
– Interest element of lease rentals paid	–	(21,700)	(21,700)
Non-cash:			
– Interest expenses	–	21,700	21,700
– Leases modification	–	318	318
– Increase in construction payable	45,667	–	45,667
31 December 2022	48,103	232,138	280,241
1 January 2021	13,761	207,875	221,636
Financing Cash-flows:			
– Repayment	(26,516)	–	(26,516)
– Proceeds	15,075	–	15,075
– Capital element of lease rentals paid	–	(12,501)	(12,501)
– Interest element of lease rentals paid	–	(22,245)	(22,245)
Non-cash:			
– Interest expenses	–	22,245	22,245
– Entering into new leases	–	34,828	34,828
– Leases modification	–	15,978	15,978
31 December 2021	2,320	246,180	248,500

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

37. NON-CASH TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the financial statements, during the year, the Company had the following major non-cash transactions:

- (i) During the year ended 31 December 2022, the Company entered into an agreement which increased the scope of a lease (2021: reviewed potential renewal of certain lease agreement to extend the lease term for further 3 to 5 years). The effect of the modification of the leases are to increase the right-of-use assets and lease liabilities at date of modification amounting to RMB318,000 (2021: RMB15,978,000).
- (ii) During the year ended 31 December 2021, the Company entered into certain lease contracts in which additions to right-of-use assets and lease liabilities amounting to RMB34,828,000 was recognised at the lease commencement date.

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Company is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk and credit risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

In light of the simplicity of the operations, the risk management of the Company is carried out by the board of directors (the "**Board**") directly. The Board generally adopts conservative strategies on its risk management and limits the Company's exposure to these risks to a minimum.

There has been no change to the types of the Company's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

38.1 Categories of financial assets and liabilities

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and financial liabilities:

	2022 RMB'000	2021 RMB'000
Financial assets		
Financial assets at amortised cost		
– Trade and other receivables	5,194	31,186
– Cash and cash equivalents	852,658	592,669
Financial assets at FVTOCI		
– Bills receivable at FVTOCI	1,850	3,361
	859,702	627,216
Financial liabilities		
Financial liabilities at amortised cost		
– Trade and other payables	79,978	42,152
– Lease liabilities	232,138	246,180
	312,116	288,332

38.2 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to fair value interest rate risk in relation to lease liabilities. The Company is also exposed to cash flow interest rate risk in relation to floating-rate balances deposited with banks and financial institution. No sensitivity analysis was prepared for bank balances as the financial impact arising on changes in interest rates was minimal due to limited changes in interest rate. The Company currently does not have any interest rate hedging policy. The Company manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

38.3 Liquidity risk

Liquidity risk refers to the risk in which the Company will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Company's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The management of the Company monitors the Company's cash flow positions on a regular basis to ensure the cash flows of the Company are positive and strictly controlled. The Company aims to maintain flexibility and shareholders' capital contributions in funding by keeping committed credit limits available.

The following table details the Company's remaining contract period for its non-derivative financial liabilities based on the agreed repayment terms or the estimated repayment schedule if certain covenant is breached. The table has been drawn up based on the undiscounted cash flows of financial liabilities on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows:

	Within 1 year or on demand RMB'000	Between 1 and 2 years RMB'000	Between 2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted amount RMB'000	Carrying amount RMB'000
At 31 December 2022						
Trade and other payables	77,997	1,981	–	–	79,978	79,978
Lease liabilities	35,410	24,907	74,200	677,177	811,694	232,138
	113,407	26,888	74,200	677,177	891,672	312,116
At 31 December 2021						
Trade and other payables	42,152	–	–	–	42,152	42,152
Lease liabilities	34,954	36,259	93,427	684,960	849,600	246,180
	77,106	36,259	93,427	684,960	891,752	288,332

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

38.4 Credit risk

Credit risk refers to the risk that a customer or counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Company. The Company considers all elements of credit risk exposure such as counterparty default risk and sector risk for risk management purposes.

The Company's maximum exposure to credit risk on recognised financial assets is limited to their carrying amounts as disclosed in note 38.1.

(i) Trade receivables and contract assets

The Company trades only with recognised and creditworthy customers. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to ensure that follow-up action is taken to recover balances.

The Company has applied the simplified approach in IFRS 9 to measure the impairment loss at lifetime ECL. The Company determines that the ECL on these items is estimated on an individual basis for customers with significant balance based on historical credit loss experience during the period. At each reporting date, the historical default rates are updated based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions (including the change in economic environment arising from COVID-19) at the reporting date.

The Company writes off trade receivables and contract assets when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. For years ended 31 December 2022 and 2021, none of the trade receivables and contract assets that had been written off as the directors of the Company assessed that no counterparties were in severe financial difficulty and the prospect of recovery was still realistic.

In order to minimise credit risk, the Company has tasked its operation management committee to develop and maintain the Company's credit risk rating to categorise exposures according to their degree of risk of default.

The credit rating information is supplied by independent rating agencies where available and, if not available, the operation management committee uses other publicly available financial information and the Company's own trading records to rate its major customers and other debtors. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

38.4 Credit risk (Continued)

(i) Trade receivables and contract assets (Continued)

The following table provides information about the exposure to credit risk for gross trade receivables and contract assets which are assessed on an individual basis for customers with significant balance as at 31 December 2022 and 2021 within lifetime ECL (not credit impaired).

Internal credit rating

	Average loss rate %	Trade receivables RMB'000	Contract assets RMB'000
At 31 December 2022			
Low risk	0.10-2.19%	5,298	5,114
Watch list	6.39%	–	–
		5,298	5,114
At 31 December 2021			
Low risk	0.09-1.98%	15,658	3,561
Watch list	5.76%	16,200	–
		31,858	3,561

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

38.4 Credit risk (Continued)

(i) Trade receivables and contract assets (Continued)

Internal credit rating (Continued)

The Company's credit risk grading framework in respect of financial assets other than trade receivables comprises the following categories:

Internal credit rating	Description	Basis for recognising ECL
Low risk	The debtor has historically made payments on time, and has a low risk of default	12 month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date or the turnover days of debtor exceeds the credit term granted	12 month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off

(ii) Other financial assets

Other financial assets at amortised cost include cash and cash equivalent and at FVTOCI include bills receivables.

The credit risk on cash and cash equivalents are considered to be insignificant as the counterparties are banks with high credit ratings and a fellow subsidiary of the Company which only provides financial services to counterparties with high credit rating. The directors continuously monitor the quality and financial conditions of this counterparty.

The credit risk on bills receivable at FVTOCI are considered to be insignificant as the counterparties are mainly reputable or medium size banks and the risk of inability to pay or redeem at the due date is low.

Notes to the Financial Statements (Continued)

for the year ended 31 December 2022

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

38.5 Fair values measurements of financial instruments

Financial assets and liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability and significance of inputs to the measurements, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs.
- Level 3: significant unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial assets is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

As at 31 December 2022 and 2021, the Company had only Level 3 bills receivable measured at FVTOCI. There were no transfers between Levels 1, 2 and 3 during the years ended 31 December 2022 and 2021.

The fair values of financial assets at FVTOCI are determined using discounted cash flow at a discount rate that reflects the current borrowing rate at the end of the reporting period. The director of the Company considers the fluctuation in the discount rate would not result in a significant change in the fair value.

39. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that the Company will be able to operate continuously and maximise the return to owners of the Company through the optimisation of the balance between debt and equity. The Company's overall strategy remains unchanged throughout the years ended 31 December 2022 and 2021.

The capital structure of the Company consists of net debt, which includes lease liabilities, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued capital and reserves.

The management of the Company reviews the capital structure from time to time. As a part of this review, the management of the Company considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Company, the Company will balance its overall capital structure through the payment of dividends, the issue of new shares or new debts or the redemption of existing debts.

40. EVENTS AFTER THE REPORTING PERIOD

(a) Continuing Connected Transaction – Revision of Annual Caps under the Property Lease (Procurement) Framework Agreement 2022

On 7 December 2022, the Company entered into the property lease (procurement) supplemental framework agreement (the “**Supplemental Agreement**”) with **Rizhao Port Group** to revise the existing annual caps for the transactions contemplated under the property lease (procurement) framework agreement dated 26 November 2021 (the “**Property Lease (Procurement) Framework Agreement 2022**”) for the three financial years ending 31 December 2024.

The Company held the extraordinary general meeting on 15 February 2023 and the resolutions approving the continuing connected transactions contemplated under the Supplemental Agreement and the proposed revised annual caps for the transactions contemplated under the Property Lease (Procurement) Framework Agreement 2022 (as amended by the Supplemental Agreement) for the financial years ending 31 December 2024 were duly passed at the meeting as ordinary resolutions. The details have been set out in the announcements of the Company dated 7 December 2022 and 15 February 2023 and the circular of the Company dated 20 January 2023.

(b) Major and Connected Transaction – Construction Contract

On 31 March 2023, the Company entered into the construction contract with Shandong Gangwan, pursuant to which the Company agreed to engage Shandong Gangwan as the contractor for the Rizhao Port Grain Base Project (Technology Part). The contract sum is RMB536,209,668.98 and the construction period is expected to end on or about 31 December 2023. The details have been set out in the announcement of the Company dated 31 March 2023.

(c) Discloseable and Connected Transaction – Acquisition of Properties

On 31 March 2023, the Company entered into the land use right transfer contracts with Rizhao Port Group, pursuant to which Rizhao Port Group agreed to transfer the land use rights of certain properties to the Company at an aggregate consideration of RMB107,850,000. The details have been set out in the announcement of the Company dated 31 March 2023.

(d) Connected Transaction – Disposal of Asset

On 31 March 2023, the Company entered into an asset transfer agreement with Third Harbor Branch of Rizhao Port Co., Ltd. (日照港股份有限公司第三港務分公司), pursuant to which the Company has conditionally agreed to sell, and Third Harbor Branch of Rizhao Port Co., Ltd. has conditionally agreed to acquire, the no. 3 warehouse which is located at West-18 berth, west district of Shijiu port area, Rizhao City, Shandong Province, the PRC, at a consideration of RMB34,186,760. The details have been set out in the announcement of the Company dated 31 March 2023.

Save as disclosed in these financial statements, there are no material events undertaken by the Company after the reporting period.

Five-Year Financial Summary

	Year ended 31 December				
	2018	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Results					
Revenue	532,061	542,783	615,318	758,421	833,490
Profit before tax	198,609	188,722	201,839	226,069	269,422
Taxation	(49,457)	(47,591)	(50,710)	(57,773)	(69,549)
Profit for the year	149,152	141,131	151,129	168,296	199,873

	As at 31 December				
	2018	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets and liabilities					
Total assets	1,717,548	2,511,242	2,502,564	2,732,604	2,904,246
Total liabilities	(309,932)	(397,250)	(277,252)	(338,996)	(350,639)
	1,407,616	2,113,992	2,225,312	2,393,608	2,553,607
Capital and reserves					
Capital and reserves					
Share capital	1,200,000	1,660,000	1,660,000	1,660,000	1,660,000
Reserves	207,616	453,992	565,312	733,608	893,607
Total equity	1,407,616	2,113,992	2,225,312	2,393,608	2,553,607