



中谷物流  
ZHONGGU LOGISTICS

Stock code: 603565

# 2022

## Environmental, Social and Governance Report

Shanghai Zhonggu Logistics Co., Ltd.



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# Preface

## About This Report

### Note on This Report

This is the Environmental, Social and Governance Report (ESG Report) released by Shanghai Zhonggu Logistics Co., Ltd. (hereinafter referred to as "Zhonggu Logistics", "we" or the "Company"). It comprehensively expounds the performance and management measures of Zhonggu Logistics in 2022 surrounding economy, environment and society, and discusses the common concerns of stakeholders, with focus on disclosing the environmental, social and governance performance of the Company and its subsidiaries (collectively referred to as the "Group").

### Reporting Time

From January 1, 2022 to December 31, 2022 (referred to as the "reporting period"); some information and cases may be beyond the reporting period.

### Reporting Scope and Boundaries

This Report covers Shanghai Zhonggu Logistics Co., Ltd. and all of its subsidiaries, with the same reporting scope as the Annual Report.

### Notes on Data

The financial data herein comes from the consolidated financial statements for 2022, which have been independently audited by Pan-China Certified Public Accountants LLP (Special General Partnership); the remainder of the information and data are mainly sourced from the Company's internal statistical reports or documents. The monetary amounts indicated herein are denominated in RMB. The term "Zhonggu Shipping" refers to our parent company – Zhonggu Shipping Group Co., Ltd.

### Reference Standards

This Report is prepared with reference to the Compilation Guide for "Corporate Social Responsibility Fulfillment Report" and the Guideline on Environmental Information Disclosure by Listed Companies published by Shanghai Stock Exchange (referred to as the "SSE"), and with appropriate reference to the GRI Sustainability Reporting Standards (GRI Standards) by the Global Reporting Initiative (GRI).

### Confirmation and Approval

This Report was approved by the board of directors on April 7, 2023 following the confirmation by the management.

## Message from the Chairman



**Zongjun Lu**

— Chairman of Zhonggu Logistics

As a private leading enterprise of container logistics in the domestic trade sector, Zhonggu Logistics always stays true to the original intention of "Changing China's Logistics with Containers" and core concept of "safe, efficient and green", and is committed to providing customers with whole-process container logistics services. Always pursuing sustainability in environmental, social and governance dimensions, we are committed to achieving win-win development together with shareholders, customers, suppliers, employees and other communities of shared interests. In 2022, we saw high-quality development again, and we achieved growth in business performance by seizing market opportunities, strictly controlling costs and refining internal management and strategic orientation.

While unswervingly pursuing sustainable and green development, we are vigorously promoting the policies of "switching from road transport to water transport" and "shipping loose cargo via containers" for bulk commodity logistics in the domestic trade sector. In 2022, our customized new green container ships with a load capacity of 89,000 tonnes, outfitted with state-of-the-art engines, multiple cutting-edge emission reduction technologies and more low energy consumption equipment to keep greenhouse gas (GHG) emissions to a minimum, were launched in succession. By the end of 2022, four of them had been put into operation. In addition, use of supporting reinforced small high containers increased the cargo loading capacity by at least 10% at the same freight rate, realizing mutually beneficial and win-

win outcome with customers. While speeding up the process of "shipping loose cargo via containers", we are committed to creating green future in a more intensive and lower-carbon manner. We strive to make positive and due contributions to realizing national goals of carbon peaking and carbon neutrality and dealing with global climate change.

We always stick to the people-oriented corporate culture, and champion the vision of "helping employees achieve ambitions in fun and through learning". In 2022, the Company moved the workplace to a new 5A office building, and built a diversified and personalized welfare system, providing employees with catering and fitness services. We have established and maintained stable and harmonious labor relations by safeguarding the legitimate rights and interests of employees and regularly organizing team building activities and festival activities to enrich their spiritual and cultural life and enhance their sense of belonging. In addition, we actively promote the cultivation, growth and development of every employee by organizing various relevant ability and quality training, adhering to the employment concept of "the competent go up and the mediocre go down", unblocking the promotion tracks, and continuing to implement the long-term incentive system.

We always strive to create long-term interests and investment returns for all shareholders and investors in various forms including cash dividends, to lay a good foundation for sustainable development. In 2022, we distributed dividends in the form of cash twice in view of favorable growth, and distributed interim dividends for the first time, with a total dividend amount of 3.1 billion Yuan. In the next three years, we will continue to implement a positive cash dividend policy while ensuring stable operation, to share development results with all shareholders. Specifically, the cumulative dividends will account for at least 60% of the cumulative profits available for distribution.

In 2023, we, in face of the still complicated external environment, will carry out relevant business activities with focus on "shipping loose cargo via containers", expand the application of containers to production logistics, and continue to increase industrial investment, so as to provide a stable supply chain support for China's economic development. In addition, we will assume more social responsibilities, work with all stakeholders to deliver more stable and efficient container logistics services, and make contributions to China's green better future.

# Zhonggu Logistics at a Glance

## Company Profile

Zhonggu Logistics is one of the first companies in China specializing in container shipping in the domestic trade sector. It was listed on the SSE in September 2020 (603565.SH). Since its inception in 2003, the Company has been offering clients from industrial and agricultural commerce safe, efficient, green and convenient whole-process multimodal transport services, powered by standard containers and big data. We have maintained rapid and healthy development over the years, championing the corporate mission of "Changing China's Logistics with Containers", the core values of "Loyalty, Sincerity, Diligence" and the corporate vision of "Leading the development of China's logistics, serving the society, and empowering employees".



## Core Business and Scale

The Company is mainly engaged in container logistics services. It is one of the first companies in China specializing in domestic coastal container shipping. Its transport capacity ranks among the top three in the container transportation market for domestic trade. The Company is capable to transport more than 10,000 kinds of goods through various containers including SQ containers, coal containers, special containers and refrigerated containers. Through the integration of water transport, rail transport and road transport, we can provide multimodal transport services such as land-sea multimodal transport, river-sea multimodal transport, water-water transfer, sea-rail multimodal transport and so on. At present, Zhonggu Logistics is stepping up entire logistics efforts through a "landing strategy" to provide clients with "door-to-door" logistics solutions so as to further enhance core competitiveness.

As of the end of the reporting period, Zhonggu Logistics had more than 200 offices and branches in nine major regions of China, which radiate dozens of provinces and cities and more than 100 ports in China. In addition, we operated more than 120 container ships with approximately 400,000 TEUs. Zhonggu Logistics has formed a mega-system of maritime transport and logistics connecting China's coastal areas with the Yangtze River and the Pearl River, and occupies an industry-leading position relying on the high container throughput for domestic trade in dozens of ports along the coastal areas and the Yangtze River.



# Cultural Values

For the lasting and rapid development, Zhonggu Logistics not only needs a wise business philosophy, but also relies on the corporate culture as "core competitiveness". We are increasingly energetic and vigorous through constant expanding, adjusting and renewing. Under the principle of "culture first", Zhonggu Logistics is committed to becoming a "First-class company, First-class talent, First-class performance, First-class return", a promoter of global trade, a better service provider for customers, a better partner for suppliers, and a better career growth platform for employees.

- Corporate Purpose: Bringing happiness to employees and creating value for the society
- Corporate Mission: Changing China's Logistics with Containers
- Corporate Vision: Leading the development of China's logistics, serving the society, and empowering employees
- Client Vision: Making customers the most competitive players in their industries
- Staff Vision: Helping employees achieve ambitions in fun and through learning
- Corporate Pursuit: First-class company, First-class talent, First-class performance, First-class return
- Business Style: Serious, Agile, Responsible for results
- Core Values: Loyalty, Sincerity, Diligence
- Customer Values: We pursue customer satisfaction
- Product Values: Safe, Efficient, Green
- Talent Values: Action precedes achievements, contribution precedes value

# Milestone and Glories

In the past 2022, we won recognition and praise from all parties through unremitting efforts to unblock the logistics chain and create a better life with the core values of "Loyalty, Sincerity, Diligence".

## Sustainability Course

Formed an initial scale from 2010 to 2013			
In 2010, Zhonggu Logistics was officially established. Its controlling shareholder Zhonggu Shipping is one of the first companies in China specializing in container shipping in the domestic trade sector	In 2011, key routes including Shanghai-Guangzhou, Qingdao-Xiamen, Qingdao-Guangzhou, Taicang-Guangzhou, and Rizhao-Guangzhou were successively opened, marking that Zhonggu Logistics became one of the first companies in China specializing in container shipping in the domestic trade sector that opened boutique routes		
Strategic transformation from 2014 to 2016			
In 2015, Shanghai Zhonggu Logistics Co., Ltd. was established	In 2016, big ships were introduced from Zhonggu Shandong, Zhonggu Liaoning, etc., to improve the single ship load and shipping efficiency and reduce shipping costs	In 2017, the direct-to-customer strategy was launched, realizing the transformation of service objects from freight forwarders to direct customers	
New development from 2017 to 2021			
In 2017, strategic investors such as Softbank China Venture Capital (SBCVC Softbank China Capital), YTO Express, Shanghai FTZ Fund, East Bell Venture Capital and GLP were introduced	In 2019, with implementation of the multimodal transport strategy, a multimodal transport logistics platform was developed, and the industrial tentacles were extended from the economic hinterland of coastal and riverside provinces and cities to the inland areas	In 2020, officially listed on A-share main board (603565. SH)	In 2021, further expanded transport capacity and enhanced core competitiveness in a new development period
A new future in 2022			
The first container ship titled "Zhonggu Jinan" with 4,600 TEUs successfully set sail, and the strategy of "shipping loose cargo via containers" was implemented in an orderly manner			

## Honors and Awards of Sustainability

Enterprise registered and certified by Dun & Bradley (certified in 2022)  
•Dun & Bradstreet

2022 Top 50 Logistics Enterprises in China  
•China Federation of Logistics & Purchasing (CFLP)

2022 Top 50 Private Logistics Enterprises in China  
•CFLP

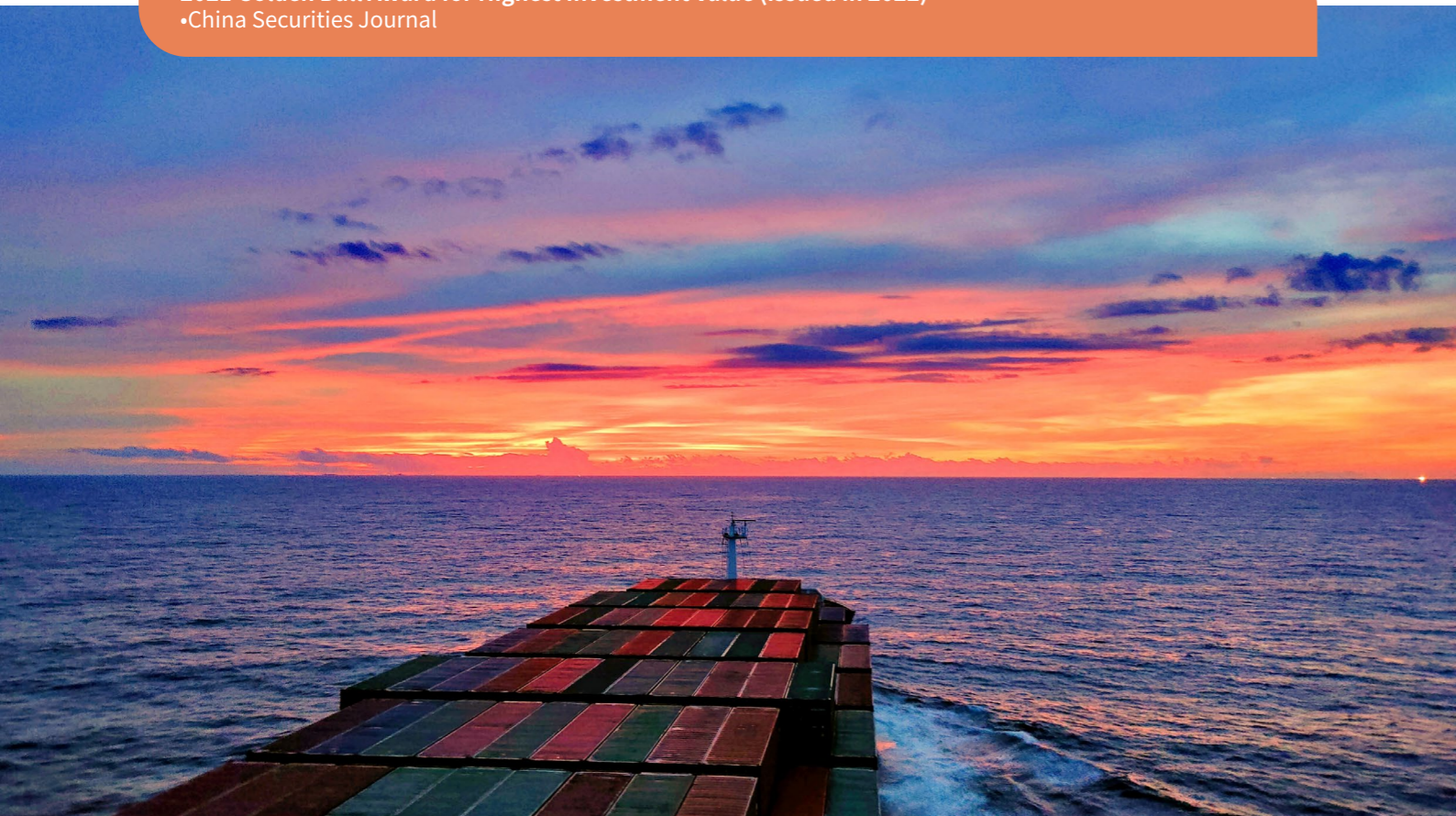
2022 Top 100 Companies Listed on A-share Main Board  
•Securities Times

Enterprises with the Highest Investment Value at the 12th China Logistics Investment and Financing Conference  
•Logistics Investment and Financing Branch of China Communications and Transportation Association, Chengdu Supply Chain Association

The 19th Gold Wheel Cup for Customer Satisfactory Container Company  
•China Shipping Gazette

2021 Top 100 Logistics Enterprises with Highest Brand Value (issued in 2022)  
•China Communications and Transportation Association

2021 Golden Bull Award for Highest Investment Value (issued in 2022)  
•China Securities Journal



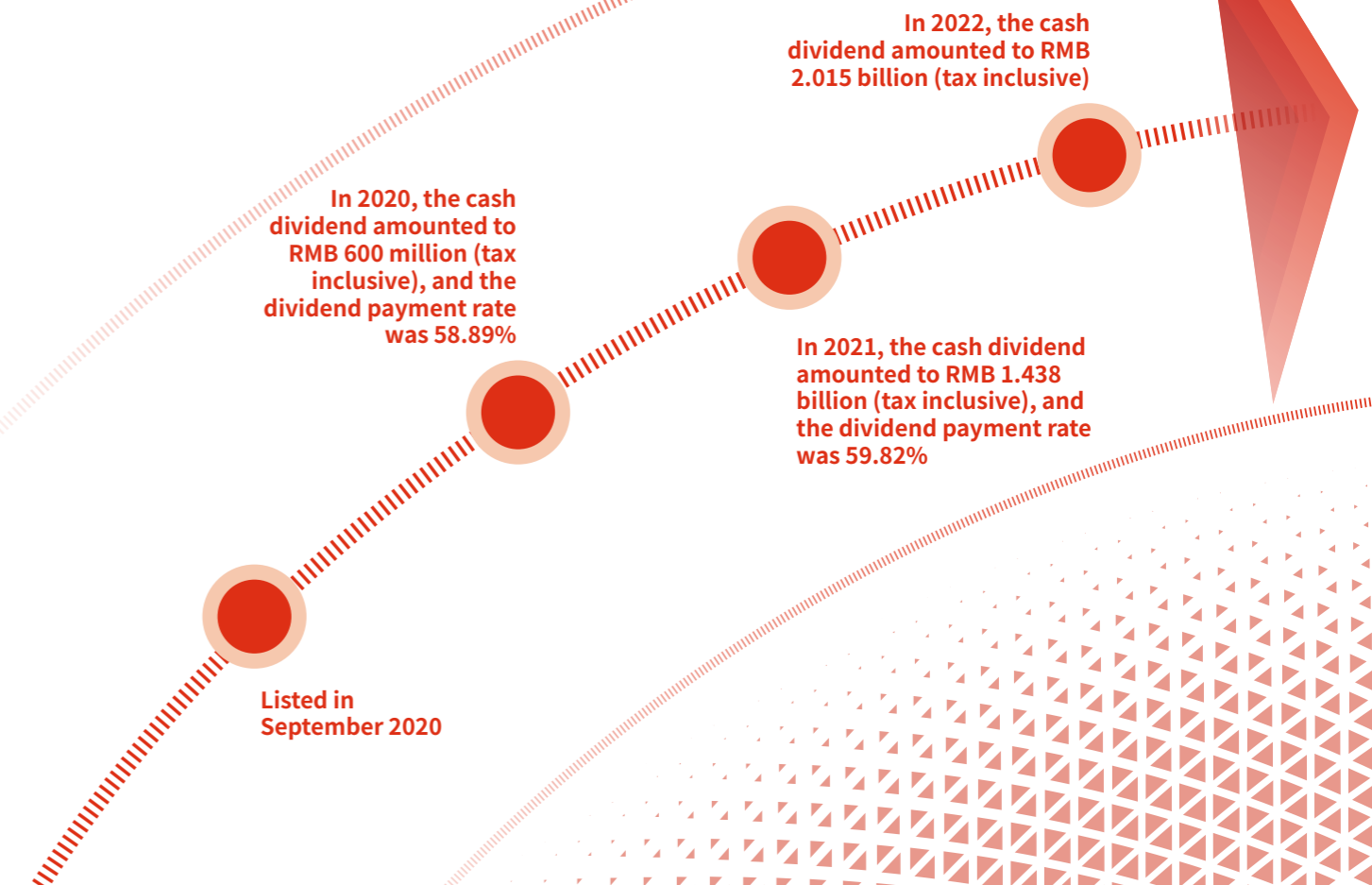
## Sustainability Rating

Wind ESG Rating A



## Return to Shareholders

In the past 10 years of rapid growth, we always value the return to shareholders. Since being listed on September 25, 2020, the Company has distributed cash dividends for three consecutive years, and the cumulative cash dividends reach up to 4.053 billion Yuan.



## Key Performance

Economic			
Indicators	Unit	2022	2021
Total container capacity	Tons	Approx. 2.6 million	Approx. 2.4 million
Container shipping volume	TEUs	Approx. 400,000	Approx. 400,000
Shipping volume	TEUs	12.13 million	13.26 million
Audited operating income	Yuan	RMB 14,208,916,476	RMB 12,291,181,868
Audited net profit attributable to shareholders of the listed company	Yuan	RMB 2,741,385,744	RMB 2,404,291,736
Audited corporate income tax payments	Yuan	RMB 925,522,523	RMB 809,724,635
Audited basic earnings per share	Yuan/share	1.93	1.83
Cash dividend	RMB 10,000	201,492	143,814
Dividend payment rate	%	73.50	59.82

Environmental			
Indicators	Unit	2022	2021
GHG emissions intensity by revenue	Tonne of CO <sub>2</sub> equivalent/ million Chinese Yuan	62.38	91.67
Energy intensity by revenue	Kilowatt-hour/million Chinese Yuan	232,816	340,786
Generation intensity of hazardous waste by revenue	Tonne/million Chinese Yuan	0.10	0.09
Generation intensity of harmless waste by revenue	Tonne/million Chinese Yuan	0.05	0.06
Water consumption intensity by revenue	Tonne/million Chinese Yuan	5.28	7.14

Social			
Indicators	Unit	2022	2021
Days of work lost due to occupational injuries	Days	12	102
Work injury rate	%	0.07	0.14
Total number of trainees	Person	18,545	13,349
Average number of hours of training per employee	Hour	40.28	24.52
Number of complaints received about products and services	/	146	227
Donations outside the community	Yuan	1,000,000	555,035
Employee volunteer hours	Hour	86,400	694
Social contribution per share	Yuan/share	3.94	3.55

## Annual Features

### A New Green Transport Mode of "Shipping Loose Cargo via Containers"

New economic globalization has driven the development and structural transformation of the logistics industry. As one of the industries with high energy consumption and high carbon emissions, the transportation industry imperatively needs the low-carbon transformation. In this context, energy conservation and emission reduction has become a must to build a transportation power. In order to reduce logistics costs and traffic pollution and improve logistics efficiency, container transport came into being. The container transport system constitutes an important part of the modern circulation system, and is regarded as a key means for implementing the national low-carbon strategy. To advance the green and low-carbon development of the transport industry and realize the national strategy of "carbon peaking and carbon neutrality", it is of great significance to accelerate the establishment of the container water transport system and give full play to the green, economic and efficient advantages of container transport and multimodal transport.

11 SUSTAINABLE CITIES AND COMMUNITIES

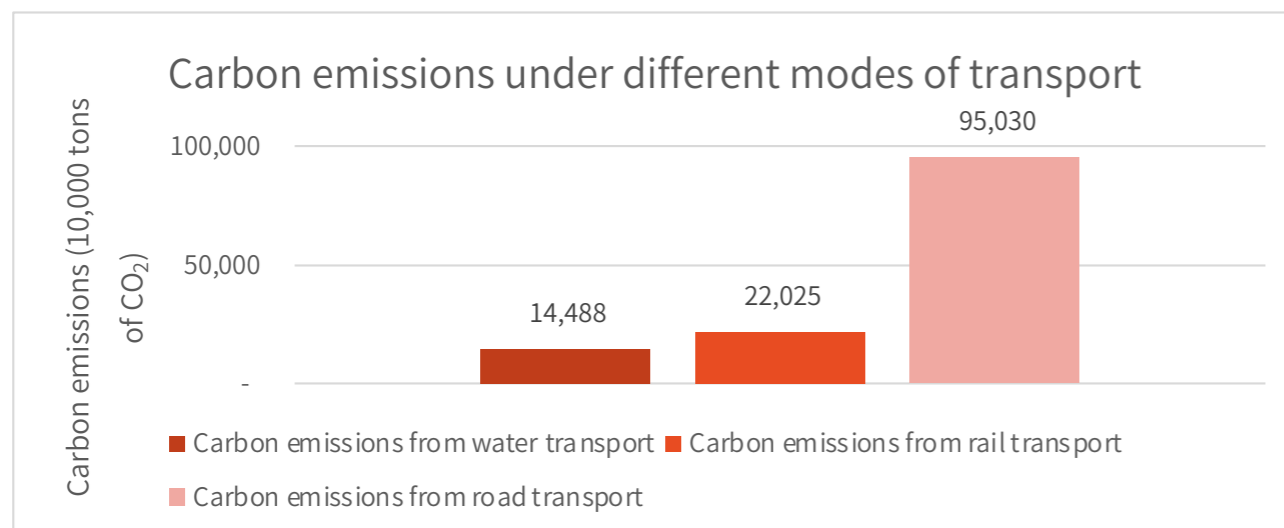




## Green Emission Reduction

In order to achieve the strategic goal of "carbon peaking and carbon neutrality", the State Council issued the Work Plan to Optimize and Adjust the Transport Structure by Promoting the Development of Multimodal Transport (2021-2025) (the "Plan") in 2021. The State promotes the "switching from road transport to and rail transport and water transport" for bulk commodities, and encourages "shipping loose cargo via containers" for industrial and mining enterprises and grain enterprises<sup>1</sup>. In addition, rail transport and water transport are mainly suggested for medium and long-distance transportation, to improve the overall transport efficiency, reduce social logistics costs, and promote energy conservation, emission reduction and carbon reduction. The goods

suitable for container transport in the domestic trade sector of China mainly include coal, ore, grain, etc. Container transport, as a mode of completely closed transport from origin to destination, can realize the whole-process three-dimensional control of goods. According to the data released by the National Bureau of Statistics, China's freight turnover reached 22,360 billion ton-kilometers in 2021. If only water transport mode was adopted, 57.95 million tonnes of standard coal would be consumed<sup>2</sup>, 140 million tonnes of CO<sub>2</sub><sup>3</sup> would be emitted. Compared with road transport and rail transport<sup>4</sup>, container water transport in the domestic trade sector enables more efficient energy conservation and emission reduction with greater contribution to ecological protection.



<sup>1</sup>The "shipping loose cargo via containers" mode refers to transportation of bulk cargoes such as coke, coal and ore originally loaded in railway gondolas, road trucks and bulk cargo ships, through sealed containers.

<sup>2</sup>According to the 2019 Statistical Bulletin on the Development of the Transportation Industry, standard coal consumption of coastal freight transport enterprises was 4.8 kg/1,000 ton-nm, which is equivalent to 0.00259 kg/ton-km.

<sup>3</sup>According to the Greenhouse Gas Emission Coefficients of Common Fuels, the carbon emission coefficient of coal is 2.5 kg CO<sub>2</sub>/kg.



In 2022, in response to the call for standardized and intensive development of container logistics in the domestic trade sector, Zhonggu Logistics accelerated the promotion of the green transportation mode, namely "shipping loose cargo via containers". During the reporting period, Zhonggu Logistics actively promoted the policy of "shipping loose cargo via containers". Specifically, more than 90 kinds of loose goods including grain, coal and ore were transported through totally<sup>5</sup> 768,607 TEUs. The new green transportation mode of "shipping loose cargo via containers" has the advantages of being adaptive in supply and demand, green and environmental, safe and efficient, which promotes Zhonggu Logistics to steadily establish a new modern logistics system.

### Reduction of carbon emissions

•During the reporting period, the freight turnover of "shipping of loose cargo via containers" accounted for 18.39%, and the carbon emissions of Zhonggu Logistics from the "shipping of loose cargo via containers" reached about 148,765 tonnes of CO<sub>2</sub>, which was about 109,422 and 965,240 tonnes of CO<sub>2</sub> less than carbon emissions from rail transport and road transport respectively.

### Decline of pollution degree

•The "shipping loose cargo via containers" mode minimizes the dust raising, scattering, spilling or volatilization phenomenon of dry bulk and liquid bulk in the process of loading, unloading, transportation and stockpiling, thus reducing the environmental pollution from transportation and port operations, and accelerating the green and low-carbon transformation of the transportation industry.

<sup>4</sup>According to the 2019 Statistical Bulletin on the Development of the Transportation Industry, the standard coal consumption of road freight enterprises was 1.7 kg/100 ton-km, which is equivalent to 0.017 kg/ton-km. According to the 2019 Railway Statistics Bulletin, the comprehensive energy consumption of railway transport was 3.94 tonnes of standard coal/1 million ton-km, which is equivalent to 0.00394 kg/ton-km.

<sup>5</sup>The Company consolidates the data and input the data into system for the loose cargoes of different places to be shipped via containers, mainly including grain, coal, ore, etc.

## Safe and Efficient

The "shipping loose cargo via containers" mode can prevent leakage and venting of goods during transportation, reduce the rate of freight loss and damage, improve the safety and stability of transportation, and make products more competitive in the subsequent circulation process. In addition, containers as a standardized transportation mode enable efficient loading and unloading, and help Zhonggu Logistics to realize the client vision of "making customers the most competitive players in their industries".

### Enrich goods suitable for container transport

- During the reporting period, 90 kinds of bulk goods, including those that were not suitable for container transport in the traditional sense (such as grain, coal and ore), were shipped through containers
- Zhonggu Logistics has formed a diversified container ecosystem, providing the right containers for different goods
- Zhonggu Logistics has developed "innovative small high containers" whose advantages are highlighted for transport of corn, coke, condiments, etc.

### Improve flexibility

- The "shipping loose cargo via containers" mode makes on-demand transportation possible, prevents risks related to various types of goods in stock at the ports, and realizes the flexible small-batch transportation
- Zhonggu Logistics can customize the "door-to-door" logistics solutions for various customers by optimizing the packing techniques for various kinds of bulk goods
- Zhonggu Logistics provides services of cold-chain transportation at -40 °C~25 °C, flexibly meeting the requirements of different goods for storage temperatures

### Reduce transportation costs

- Reduce the costs of loading, unloading and packaging, as well as the loss of goods
- Compared with rail transport, road transport and air transport, water transport has a low unit cost, and helps to reduce the comprehensive social logistics cost

### Improve loading and unloading efficiency

- The "shipping loose cargo via containers" mode realizes large-tonnage, large-batch and long-distance transportation without the need for secondary unloading and reloading
- The "shipping loose cargo via containers" mode realizes the seamless integration of multiple transportation modes including road transport, rail transport and water transport (suitable for multimodal transport), and meets the needs of different customers, combining transportation and trade gradually

## "Innovative small high containers"

In response to the policy of "shipping loose cargo via containers", Zhonggu Logistics developed the "innovative small high containers" that are heightened and reinforced version of ordinary small flat containers, to increase the load capacity. Due to the advantages of large capacity and low freight, "shipping loose cargo via containers" has been increasingly popular, fully demonstrating its value.

In line with the national weight limit requirements, the "innovative small high containers" can achieve a 10% increase in the freight volume of bulk cargo, and greatly improve the transportation efficiency, while reducing the whole-chain energy consumption by nearly 10%.

### Larger capacity

"Innovative small high containers" are larger than ordinary containers for domestic trade by about 10% in capacity.



### Lower freight

Compared with the ordinary small flat containers, "innovative small high containers" can the freight cost by 20 Yuan/ton.

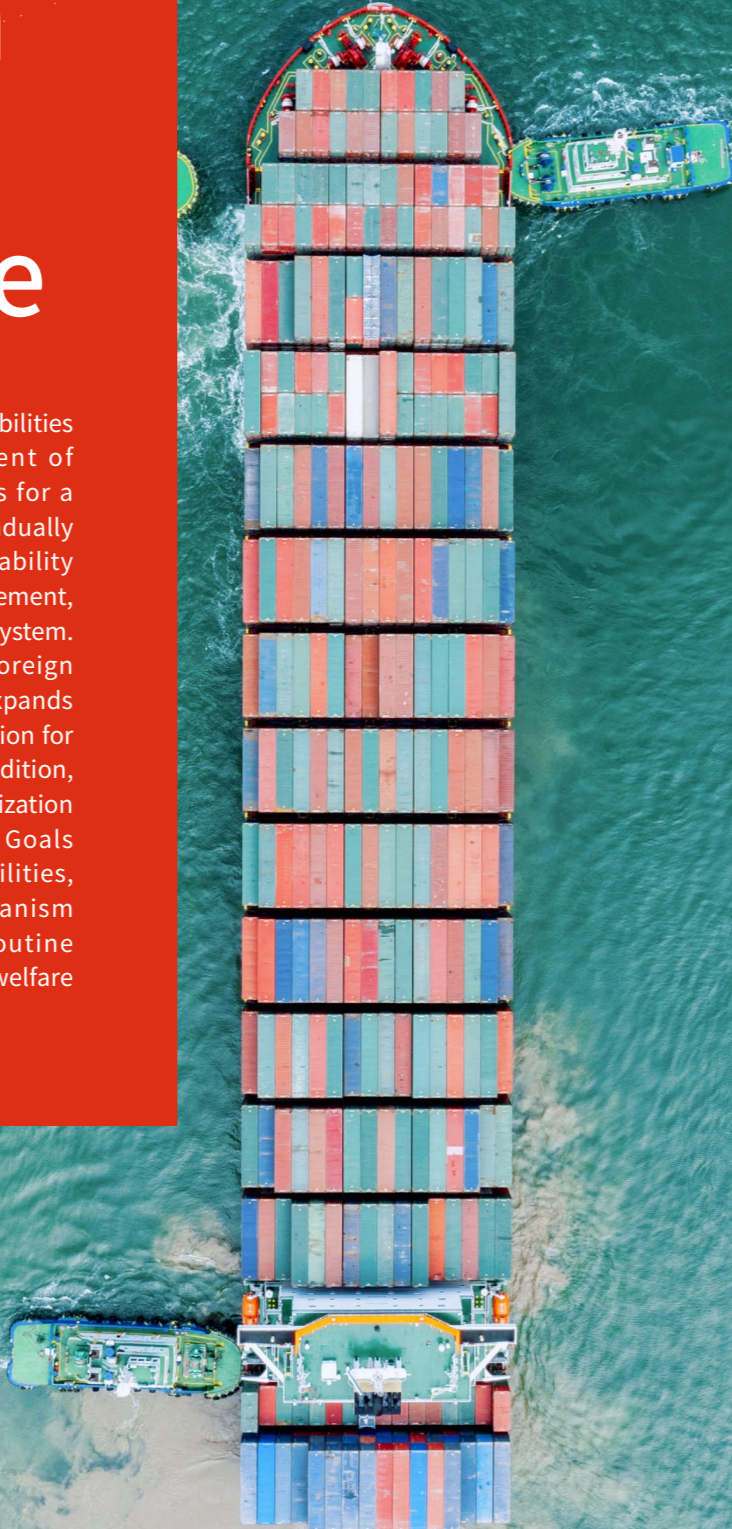
### More convenient transportation

The "innovative small high containers" enable the efficient one-stop rail transport.



# Strengthen ESG Governance

We believe that actively undertaking ESG responsibilities and promoting the sustainable development of the industry and society are the prerequisites for a company's long-term development. We have gradually improved ESG management level and accountability system by continuously strengthening ESG management, establishing and improving the ESG governance system. To achieve dual circulation of domestic and foreign trade, Zhonggu Logistics orderly explores and expands foreign trade business, which lays a good foundation for seeking new growth points of performance. In addition, Zhonggu Logistics actively contributes to the realization of United Nations Sustainable Development Goals (SDGs), by actively assuming social responsibilities, constantly improving its management mechanism and organizational system, strengthening routine operation management, and devoting to public welfare undertakings.



## ESG Governance System

In order to realize the corporate mission of "Changing China's Logistics with Containers" and ensure environmental, social and governance work is carried out smoothly, Zhonggu Logistics has established a three-tiered governance structure for managing ESG affairs. In addition, we better respond to the demands of all stakeholders through actively, timely and effective communication through multiple channels, with an aim to achieve the sustainable development.

### ESG Governance Structure

Establishing a complete ESG governance structure is vital to strengthen ESG management. Zhonggu Logistics needs to constantly practice the concept of sustainable development during routine operation and management. We have set up a three-tiered ESG governance structure composed of the Board of Directors, ESG Working Group and functional departments. As the highest decision-making body, the Board of Directors is responsible for overall planning the Company's ESG work, supervising, deliberating and making decisions on the Company's ESG strategy and goals, and reviewing major issues and risk identification results. The Company has also established an ESG Working Group, headed by the Secretary of the Board of Directors responsible for annual reporting to the Board of Directors. The heads of each functional department serve as members of the group supervising the implementation of ESG work by each functional department. Facts prove that the three-tiered ESG governance structure with clear rights and responsibilities helps Zhonggu Logistics to steadily and effectively carry out ESG work.

#### Board of Directors

- Make decisions on major ESG issues
- Review and analyze the progress related to attainment of ESG goals
- Evaluate and determine ESG risks and sustainable development suggestions

#### ESG Working Group

- Oversee work related to ESG
- Formulate relevant ESG strategies, systems and management guidelines
- Prepare ESG reports

#### Functional Departments

- Implement work related to ESG

ESG Governance Structure

## Stakeholder Communication

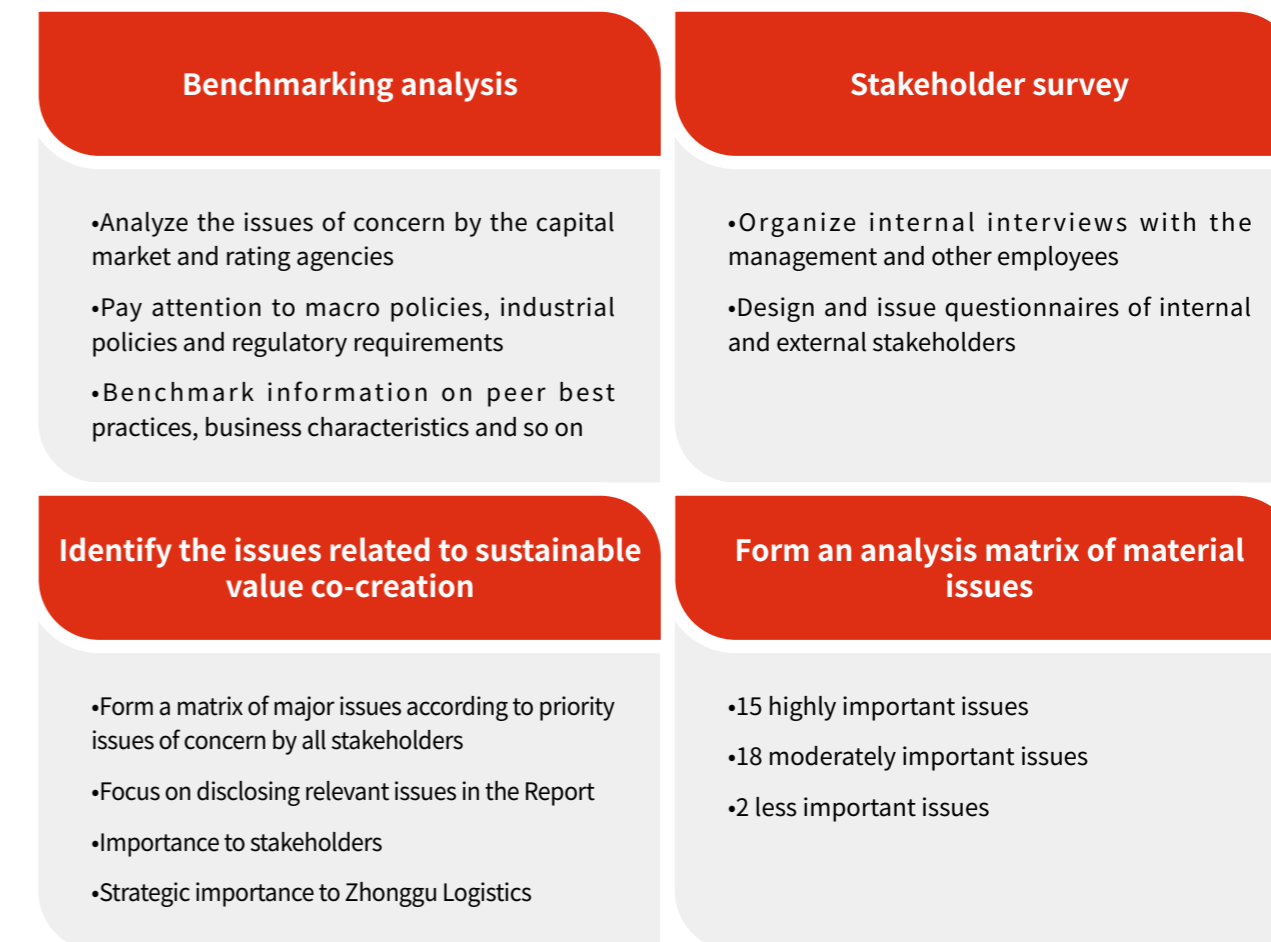
Because the opinions of stakeholders are very important for formulating and implementing the sustainable development strategy, Zhonggu Logistics keeps contact and communication with stakeholders. Based on the characteristics of different stakeholders, we keep deeper and broader communication and exchange with them through various channels including the mechanism for normalized and diversified two-way communication. Meanwhile, we timely make work plans according to the appeals and expectations of all stakeholders, to contribute to the long-term sustainable development.

Our key stakeholders include government and regulatory authorities, shareholders, investors, employees, clients, contractors/suppliers and community/environmental representatives. And we have conducted irregular exchange of information with stakeholders in six areas, including economy, corporate governance, environment, staff, supply chain and community.

Stakeholder	Key Concern	Means of Communication
Government & regulatory authorities	Tax transparency Anti-corruption Environmental compliance	Information disclosure Feature reports Spot checks
Shareholders & investors	Corporate governance Risk management Market performance Economic performance	Shareholders' meetings Information disclosure SSE E-interactive Roadshows Site visits
Employees	Equal employment Diversity & equality of opportunity Employee care Training & education Occupational health & safety	Staff congress meetings E-school Employee satisfaction surveys Discussion & communication
Clients	Client satisfaction Client privacy protection Optimization of ship operation Safety management	Client satisfaction surveys Communication and complaint channels Trade shows & promotional campaigns
Contractors/Suppliers	Responsible sourcing Environmental & social assessment of suppliers	Signing of a contract/agreement Supplier training Summits
Representatives of communities/ environmental groups	Community interest Environmental compliance Greenhouse gas emissions Wastewater discharge management	News media Field investigation

## Material Issues Analysis

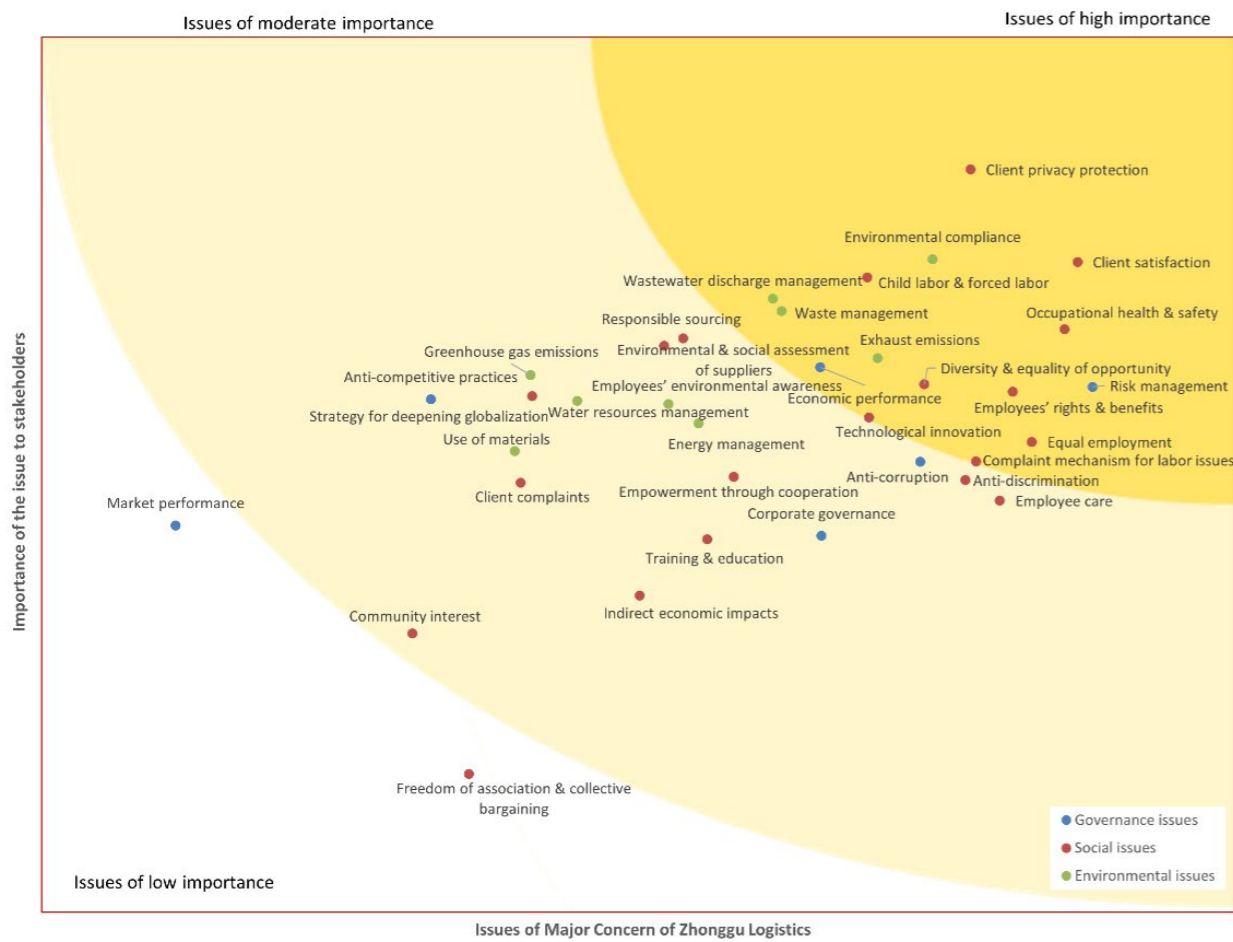
In order to understand the environmental, social and governance issues of concern by stakeholders more deeply and objectively, Zhonggu Logistics collected 265 valid questionnaires, through the analysis of which we have identified the major issues of great concern to internal and external stakeholders. We will respond to the issues concerned by all parties in this report, and fulfill relevant environmental, economic and social responsibilities.





## Response to SDGs

The 17 SDGs are jointly proposed by the member states of the United Nations, and are internationally shared values and practices. In active response to the 2030 Agenda for Sustainable Development, Zhonggu Logistics has incorporated SDGs into the scope of ESG management according to the major issues identified.



Material ESG Issues of Zhonggu Logistics

SDGs	Response action of Zhonggu Logistics	SDGs	Response action of Zhonggu Logistics
	Establish the sound internal safety management framework and occupational health assurance system, and organize diversified safety and health trainings, to enhance the safety awareness of employees		Create a diverse and equal employment environment in which all personnel enjoy fair and equitable employment opportunities, and pursue the distribution rationality in employee gender, age and region
	Establish a diversified talent cultivation system to help employees further improve their abilities and occupational value		Vigorously implement the strategy of "shipping loose cargo via containers" and boost construction of sustainable communities
	Promote workplace equality and provide male and female employees with the same development platforms and opportunities		Establish a sound container management and shipping service system to safeguard the rights and interests of consumers
	Formulate the Water Resources Management Plan for Ships and other rules and policies to strengthen scientific and unified management of water-related projects of the Company		Reduce the emissions of greenhouse gases and harmful gases in strict accordance with the emission requirements of various countries and regions, and build green ships
	Use high-quality fuel for all self-owned ships according to national environmental requirements, and continuously reduces the fuel consumption of ships		Strengthen the utilization of water resources and wastewater disposal and discharge of ships, to reduce water consumption and prevent water contamination
	Establish and improve the internal compensation and benefit system based on employees' abilities and performance in consideration of market levels		Improve the corporate governance structure, strengthen anti-fraud management, supplier integrity promotion and anti-corruption publicity, to reinforce the foundation for sustainable development
	Increase investment in R&D, and promote transformation of digital shipping with focus on informatization, digitalization and intellectualization		Formulate and implement the bidding/tender process, and follow the principle of fair and equitable procurement, to ensure business with suppliers in good faith

# Green Shipping Practices

As it is increasingly urgent to deal with climate change, Zhonggu Logistics actively responds to environmental challenges and promotes green shipping for sustainable development. While expanding business steadily, we continuously improve the environmental management system, and promote green shipping, ecological construction and green development together with all sectors of society, to minimize the environmental impact and contribute to realization of the national "carbon peaking and carbon neutrality" goals.



# Climate and Energy

By strengthening green and low-carbon management including use of green ships, clean energy and low fuel-consumption products, we have further highlighted the strengths in energy conservation and emission reduction and reduced carbon emissions in the shipping process.

## Green ships

- Empower green ships with the world-leading technologies
- Strictly control the emission of sulfur oxides, nitrogen oxides and particulate matter from our ships

## Clean energy

- Use high-quality fuel oil for all self-owned ships
- Strengthen the monitoring of oil sampling, and refuse to use fuel oil exceeding standards

## Fuel consumption control

- Whole-process supervision by designated persons from the fuel oil supervisory department
- Accurate gauging and error control
- Route control and economy of fuel oil consumption

# Green Ships

The Company reduces greenhouse gas emissions by equipping green ships with state-of-the-art engines, increasing the proportion of low energy consumption equipment and adopting multiple cutting-edge emission reduction technologies. Zhonggu Logistics has placed an order for 18 green ships with the load capacity of 90,000 tonnes. During the reporting period, four ships including one titled "Zhonggu Jinan" have been delivered successively. In particular, the first ship "Zhonggu Jinan" was officially delivered in October and successfully set sail from Shandong Port. Currently, the Energy Efficiency Design Index (EEDI) of our green vessels falls at least 20% below the requirement level, saving approximately 300 tonnes of fuel oil per ship per year, which is equivalent to reducing 944 tonnes of CO<sub>2</sub> emissions per ship per year.

## Green ships of Zhonggu Logistics

Use the S-BOW for better speed and seakeeping performance

Equipped with a high-voltage shore power AMP system, which can access shore power under berthing condition to reduce pollution from berthing

Frequency conversion device is installed for load control of pump and fan in engine room to reduce energy consumption

Choose the greener latest version of main engine; equipped with a shaft generator to meet the needs of equipment in navigation and reduce fuel oil consumption

A number of energy-saving measures, such as a efficient propeller, hub vortex absorbed fins, energy-saving pre-swirl ducts and flap rudders, are adopted to improve the ship's speed performance



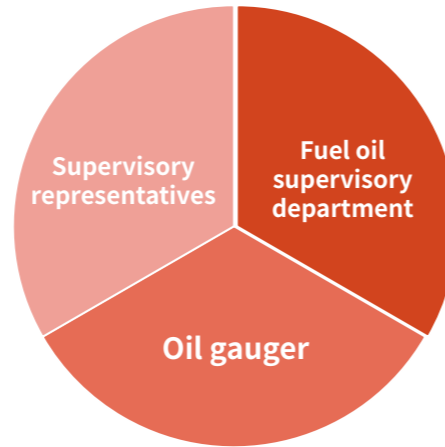
## Fuel Oil Management

Fuel oil is the key energy for shipping. Therefore, Zhonggu Logistics comprehensively strengthens the monitoring and management of fuel oil use while exploring the efficient use thereof.

In response to the national policy of energy conservation and emission reduction, Zhonggu Logistics has created the Energy Management System for all management departments of its own vessels as an effort to standardize energy management, prevent marine and harbor pollution by ships, and maintain the ecological balance. To regulate the use of fuel oil, we have formulated the Fuel Oil Management Measures stipulating closed-loop management of fuel oil purchase, bunkering, storage and use applicable to all self-owned vessels and chartered vessels.

Zhonggu Logistics pays great attention to vessel energy consumption. We have set up a department to supervise the fuel oil consumption and implement comprehensive closed-loop management of the Company's own tankers and shipping oil supplies for the four existing logistics bases. We assign regulatory representatives to each base to observe the quality and quality of fuel oil, and board the ship to supervise the refueling situation and the fuel supply on the bunker supply vessel in real time.

While strengthening the management of fuel oil use, Zhonggu Logistics also pays attention to significant impacts of human factors such as oil receiving and feeding and measurement errors on the use of fuel oil. At present, we strive to manage fuel oil with greater efficiency and reduce consumption primarily by controlling the quality of fuel oil, eliminating measurement errors and optimizing route control.



The Supervisory Framework for Fuel Oil of Zhonggu Logistics



### Fuel oil quality control

•Zhonggu Logistics has formulated the Fuel Oil Quality Control Management Program (Trial) to standardize fuel oil quality control process and ensure that all our own ships run on high quality fuel oil. We have also been working with authoritative inspection and monitoring agencies to strengthen comprehensive oil sampling monitoring in accordance with the National Standard of the People's Republic of China—Marine fuel oils (GB17411-2015). For fuel oils that fall short of the national standard of quality, we give corresponding penalties to the oil suppliers. We use diesel up to China VI Vehicle Emission Standards as light fuel oil, and ensure use of optimal products meeting national environmental requirements.

### Accurate gauging

•We have compiled the Management System of Measuring Equipment Calibration, Use and Maintenance to standardize the measuring operation and management of tools. In addition, we have effectively dealt with the situations such as energy waste caused by oil storage error or inaccurate measurement. Moreover, our oil gauger boards the ship to measure, and uses video recording and record sheets to record the amount of oil transferred throughout the process.

### Route control

•The Company supervises ships in real time relying on network and other technical means. When there are not enough berths in the port and the ship cannot dock directly, an economic speed is not maintained as planned, or scheduling needs, responsible personnel of the dispatch center will inform the captain to correspondingly adjust speed in real time to prevent accidents.

In 2022, we will continue to improve the efficiency of resource utilization, promote low-carbon emission reduction, and significantly improve the performance in energy consumption and greenhouse gas emissions, with details as follows:



Energy performance				
Category	Unit	2022	2021	Changes
Total direct energy consumption <sup>6</sup>	Kilowatt-hour	3,306,452,045	4,187,430,357	21% ↓
Total indirect energy consumption <sup>7</sup>	Kilowatt-hour	1,614,100	1,232,600	31% ↑
Comprehensive energy consumption <sup>8</sup>	Kilowatt-hour	3,308,066,145	4,188,662,957	21% ↓
Comprehensive energy intensity by revenue	Kilowatt-hour/ million Chinese Yuan	232,816	340,786	32% ↓

Greenhouse gas emissions <sup>9</sup>				
Category	Unit	2022	2021	Changes
Category 1 Total GHG emissions <sup>10</sup>	Tonne of CO <sub>2</sub> equivalent	885,730	1,125,806	21% ↓
Category 2 Total GHG emissions <sup>11</sup>	Tonne of CO <sub>2</sub> equivalent	579	886	35% ↓
Total GHG emissions	Tonne of CO <sub>2</sub> equivalent	886,309	1,126,692	21% ↓
GHG emissions intensity by revenue	Kilowatt-hour/ million Chinese Yuan	62.38	91.67	32% ↓

<sup>6</sup>Direct energy consumption includes gasoline, diesel, low sulfur fuel oil and lubricating oil.

<sup>7</sup>Indirect energy consumption comes from purchase of electricity.

<sup>8</sup>For calculation of the comprehensive energy consumption, please refer to General principles for calculation of the comprehensive energy consumption (GB/T 2589-2020) promulgated by the State Administration for Market Supervision and the Standardization Administration of China.

<sup>9</sup>For GHG emission factors, please refer to the Guidelines for Accounting and Reporting Greenhouse Gas Emissions from Enterprises of Other Industries (Trial) published by the National Development and Reform Commission in 2015. The emission factor of electricity consumption was changed from the average emission factor of regional power grid issued by the National Climate Center in 2012 to the average emission factor of national power grid for 2022 specified in the Notice on Management of Greenhouse Gas Emission Reports of Power Generation Enterprises from 2023 to 2025 issued by the Ministry of Ecology and Environment.

<sup>10</sup>Category 1 includes the greenhouse gas emissions from combustion of gasoline, diesel and low-sulfur oil.

<sup>11</sup>Category 2 includes GHG emissions from electricity consumption in the process of ship operation and office operation.

## Green Office

In the routine operation process, Zhonggu Logistics actively practices the concept of green office. In 2022, we moved into a new office building with energy-saving equipment in the office area. We optimized the working time of air conditioners, lamps and other devices, and transformed the existing lighting facilities in the public area into microwave induction types, to further reduce energy consumption. In addition, we carried out many environmental activities during the environmental theme day and public welfare volunteer activities to guide people to establish green environmental awareness and practice low-carbon life.

**Green office practice**

- Replace traditional faucets with sensor faucets
- The lamps for the garden on the top floor of the office building can be automatically switched to the time-power-off switching mode according to the seasonal weather conditions
- The lamps for basement garage can be set through the intelligent lighting control software as required
- Reasonably set the season and time of air conditioning in the office building



During the "World Ocean Day" in 2022, we organized the environmental bag design competition themed by "Blue Planet · My Home" to guide more people to reduce plastic waste and use biodegradable environmental bags.



We protect the natural environment by taking practical actions and through public welfare projects such as science popularization on beach cleaning and garbage sorting.

## Water Resource Management

Water resources are crucial to the operation of ships and machinery as well as the daily life of crew members in our business operations. The wastewater that pollutes the ocean during ship operation is mainly composed of ballast water, oily wastewater, etc. The wastewater from ships is discharged and disposed of in strict accordance with laws and regulations such as The Law of the People's Republic of China on the Prevention and Control of Water Pollution, The Law of the People's Republic of China on Marine Environmental Protection, Regulation on the Prevention and Control of Vessel-induced Pollution to the Marine Environment, The Discharge Standards of Ship Pollutants, and The International Convention for the Prevention of Pollution from Ships.

Zhonggu Logistics has formulated a number of control documents such as the Water Resources Management Plan for Ships, the Management and Operation Method of Ballast Water, the Instructions for Domestic Wastewater Discharge, and the Emergency Management of Oil Pollution to manage the use of ship water resources as well as the disposal and discharge of wastewater, reduce the consumption of water resources, and avoid water pollution.



## Oily Wastewater

We constantly strengthen the supervision over the discharge of oily wastewater to make sure that all indicators are at or even above national and local levels and that all fleets follow a standard process for discharging oily wastewater. We try to reduce the residue rate through refined management according to the results of comparing the amount of fuel oil supplied with the residue of oily wastewater after boiling. In addition, we implement the management accountability system for ships with a standard residue rate of over 0.5%. Specifically, we determine whether the use of the ship's fuel oil is normal and whether the personnel's operation is standardized based on the residue rate. In case of any data abnormality, we will analyze and identify the reasons.

For the discharge of oily wastewater, each vessel for foreign trade is equipped with an oil-water separator and a 15 PPM monitor. As required, we never privately discharge oily wastewater, residual oil, and dirty oil from ships, all of which need to be returned to the shore for disposal and can only be discharged as required after obtaining a certificate of acceptance. For the purpose of traceability, the fleet timely records the discharge of oily wastewater in the Oily Wastewater Logbook, and the maintenance department regularly inspects the ship's wastewater control facilities onboard.

The Company actively seeks problems through interviews on all our self-owned vessels to check the generation, management and discharge of oily wastewater from ships. If some problems (if any) are found, we take corrective measures timely, and properly record and archive the interviews.



## Ballast Water

In accordance with The International Convention on the Control and Management of Ships' Ballast Water and Sediments issued by the IMO<sup>12</sup>, Zhonggu Logistics has developed ballast water-related management plans to ensure compliance in terms of ballast water. All international vessels are equipped with ballast water treatment devices in compliance with international conventions. All of the Company's current ballast water treatment systems adopt the technical means of both mechanical treatment (filtration) and physical treatment (nitrogen asphyxiation), which continuously improves the efficiency of ballast water treatment. All ships of the Company have complied with the D-2 standard (Biological and Hygienic Standards for Ship Ballast Water Treatment) since 2017, and all ship ballast water treatment systems are in compliance with USCG<sup>13</sup> certification.

## Domestic Wastewater

Our vessels are equipped with domestic wastewater storage tanks and the outboard direct sea valve is cut off to make sure that any domestic wastewater is treated by domestic wastewater treatment devices. The domestic wastewater is discharged into the sea 12 nautical miles away after being pulverized in strict accordance with the discharge rate requirements. The qualified domestic wastewater after biochemical treatment may be pulverized and discharged to places 3 nautical miles offshore according to the discharge rate. In waters where discharge is not allowed, such as the inland sea of China, any wastewater is taken back to shore for disposal.

## Seawater Desalination

The utilization and management of freshwater resources are of utmost importance. Each vessel of Zhonggu Logistics is equipped with a freshwater generator during international voyages, which stores the distilled water in a freshwater tank for daily life, engine-room equipment and cooking. In 2022, the seawater desalination capacity of our international vessels was 36,685 tonnes, and the total freshwater consumption was 34,385 tonnes.

<sup>12</sup>IMO refers to the International Maritime Organization, the United Nations specialized agency based in London, UK, with responsibility for the safety and security of shipping and the prevention of marine and atmospheric pollution by ships.

<sup>13</sup>USCG refers to the United States Coast Guard Ballast Water Management System (BWMS) Type Approval Certificate.

The use of water resources and wastewater discharge of Zhonggu Logistics during the reporting period are as follows:

Use of water resources				
Category	Unit	2022	2021	Change
Total water consumption <sup>14</sup>	Tonne	74,958	87,876	15% ↓
Water consumption intensity by revenue	Tonne/million Chinese Yuan	5.28	7.14	26% ↓
Freshwater consumption	Tonne	74,958	/	/
Total water recycling and reuse	Tonne	120	/	/
Water recycling and reuse rate	%	0.16	/	/

Wastewater discharge				
Category	Unit	2022	2021	Change
Total wastewater discharge <sup>15</sup>	Tonne	16,414	6,282	161% ↑
Wastewater discharge intensity by revenue	Tonne/million Chinese Yuan	1.16	0.51	126% ↑

<sup>14</sup>The total water consumption includes production water and domestic water.

<sup>15</sup>The total wastewater discharge includes production wastewater and domestic wastewater. The production wastewater only refers to the wastewater generated during the ship transportation that does not meet the discharge regulations. Any other production wastewater is discharged into the ocean after being disposed of and meeting the discharge conditions in strict accordance with the relevant national laws and regulations. The reason for the substantial increase in the amount of domestic wastewater in 2022 is that the statistical caliber has been adjusted: the statistical caliber for 2021 was the domestic wastewater that was withdrawn from the shore, while the statistical caliber for 2022 was the sum of freshwater installed and freshwater generated onboard.

## Waste Management

Zhonggu Logistics always pays attention to the impact on the natural environment during business operations. We continue to improve our waste disposal capabilities, reduce the waste, and explore a circular economy development model.

Zhonggu Logistics has formulated the Instructions for Ship Pollution Prevention and Management, the Pollution Prevention Code, the Pollutant Identification Regulations and other systems in strict accordance with the Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China, the Marine Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes and other laws and regulations, built a sound environmental management system, and minimized the pollution of various discharges such as asbestos materials and domestic garbage to the marine environment.

For all our ships, we have formulated the Ship Garbage Management Plan in accordance with the International Convention for the Prevention of Pollution from Ships, which explicitly defines the responsibilities of the captain, chief mate and other staff, and provides strict regulations on the disposal and discharge of all wastes generated, thereby standardizing the waste classification, storage, and disposal after berthing.

For wastes that cannot be or are not allowed to be disposed of during the voyage, we hand them over to a qualified third-party onshore waste receiving agency for disposal. In this case, we require the receiving agency to hold domestic wastewater, oily wastewater, domestic waste and oily waste receiving licenses and conduct responsible tracking management.



Responsible waste tracking management of Zhonggu Logistics



## Waste Gas Management

To reduce the impact and pollution of waste gas pollutants generated by fuel combustion on port cities and coastal and riverside areas when ships are sailing or docking at ports, Zhonggu Logistics has formulated the Implementation Instructions for Ship Air Pollution Emission Control Areas in China's Sea Areas in strict accordance with the Air Pollution Prevention and Control Law of the People's Republic of China, the Implementation Plan for Ship Air Pollutant Emission Control Area and other laws, regulations and rules to fully regulate waste gas emissions.

We strictly control the waste gas emissions of ships, and the supervisors of the maintenance department regularly inspect the waste gas emissions of ships. We use No. 180 low-sulfur fuel oil as marine fuel oil, which reduces the pollution of sulfur emissions to the atmospheric environment.

The solid waste generated during the reporting period is as follows:

Waste Category	Unit	2022	2021	Change
Total amount of harmless waste <sup>16</sup>	Tonne	706	703	0.4% ↑
Total amount of hazardous waste <sup>17</sup>	Tonne	1,359	1,146	19% ↑

<sup>16</sup>Harmless waste includes ship solid waste returned to the shore and domestic waste in offices.

<sup>17</sup>Hazardous waste is oily sludge.

The waste gas emissions during the reporting period are as follows:

Category	Unit	2022
Total waste gas emissions <sup>18</sup>	Tonne	20,567
Waste gas emission intensity by revenue	Tonne/million Chinese Yuan	1.45

<sup>18</sup>Waste gas includes nitrogen oxides, sulfur oxides and particulate matter.

# Safe Shipping

In view of the characteristics of the water transportation industry such as high risk, particularity, and specialization, Zhonggu Logistics pays close attention to shipping safety in its daily operations and provides solid guarantees for the safe operation of ships.

We have formulated a series of safety management rules such as the Safety Management Manual, the Procedure Management Manual and the Ship-Shore Emergency Manual in strict accordance with the International Safety Management Rules, Work Safety Law of the People's Republic of China, Regulations on Reporting and Investigation and Handling of Production Safety Accidents and other laws, regulations and rules. In particular, Zhonggu Logistics Safety Management System (SMS) has obtained the International Document of Compliance (DOC).

We standardize the inspection process of the meeting resolutions of the safety production committee, strictly implement the relevant resolutions of the safety production committee and check the standard item list of relevant resolutions.

## Zhonggu Logistics holds safety committee meeting

In 2022, the Company held a meeting of the safety production committee to discuss and deal with the safety accidents that occurred in the early stage and safety issues on board, put forward corresponding responsibility requirements for responsible departments such as the ship management center, crew department, and safety supervision department, and set a time limit for implementation, which enhanced the Company's safety risk prevention capabilities.



Zhonggu Logistics' safety committee meeting

## Strengthen Risk Warning

Zhonggu Logistics continues to put prevention first, give full play to the early warning function of the risk mechanism, make timely predictions and early warnings for possible risks such as extreme weather, environmental pollution, and ship safety, and take emergency measures in accordance with the predetermined management mechanism to minimize the occurrence of risk events.

### Analysis of the grounding accident of "ZHONG GU PENG LAI" container ship

In 2022, a small ship grounding accident occurred to Zhonggu Logistics. The Company held a safety management and coordination meeting very soon, analyzed the cause, clarified the responsibility, and made a written investigation report. The Company rectified relevant defects in a timely manner, completed the overhaul of the ship "ZHONG GU PENG LAI", and carried out safety-related education and training to avoid similar accidents of other ships.



The Company organized various departments to learn the lessons of the grounding accident of the "ZHONG GU PENG LAI" ship

## Typhoon warning

The Company is highly concerned about the impact of extreme weather on shipping. We provide early warning and forecasting services of cargo damage accidents caused by typhoons, and customers read and confirm the risk warnings. The typhoon warning information is announced in advance on the WeChat official account and the booking platform, and online booking customers are forced to read and confirm it, thus reminding them to take relevant measures in advance and reducing the damage caused by improper loading and unloading on typhoon days.



Zhonggu Logistics' typhoon warnings

## Reflection and Improvement

To continuously improve the level of safety management, Zhonggu Logistics attaches great importance to the reflection and improvement after the accident. The Company organizes various accident analysis meetings to avoid the recurrence of the same accident through experience summary, skill training, and warning education.

During the reporting period, the Company carried out multiple inspections and repairs of ships to further ensure the safety of shipping. 24 ships were repaired by shipyards, which cost 156.9 million Yuan, of which 9 ships were repaired by domestic shipyards at a total cost of 37.64 million Yuan, and 15 ships were repaired by foreign trade shipyards at a total cost of 119.26 million Yuan, which has greatly improved the condition of the ships.

# Create Customer Value

Zhonggu Logistics, always valuing customer needs and taking containers as the core carrier, strives to provide customers with customized and cost-effective "door-to-door" container logistics solutions by integrating waterways, highways, and railway transportation resources, and relying on a modern logistics information platform. The Company is committed to building a leading provider of comprehensive container logistics services in China.

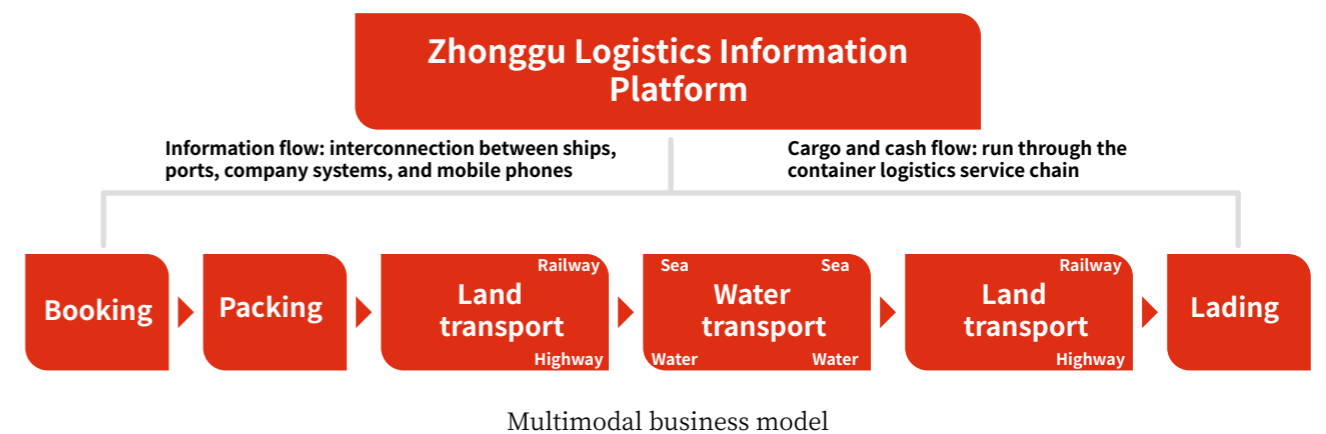


## Provide Excellent Service

Zhonggu Logistics is one of the earliest enterprises in China specializing in container transportation for domestic trade. Since its establishment, the Company has been committed to undertaking the corporate mission of "Changing China's Logistics with Containers", improving quality and efficiency, constantly standardizing the operation and management, developing independent innovation capabilities, and providing safe, efficient, green, convenient and high-quality multimodal logistics services for industry, agriculture and commerce.

## Multiple Routes

Zhonggu Logistics has been able to provide multimodal logistics services by water and land transport. Our business covers more than 100 ports in dozens of provinces and cities in China. We have more than 200 offices and branches in China, operate more than 120 container ships, and enjoy dozens of domestic trade routes including boutique routes and two international routes.





## Domestic Trade Routes

The domestic trade route network of Zhonggu Logistics has covered China's coastal areas and river basins. The Company strives to build a mega-system of maritime transport and logistics connecting China's coastal areas with the Yangtze River and the Pearl River. To meet customers' needs for timeliness and stability of logistics, the Company has opened high-quality routes connecting major coastal ports. In 2022, the output and load factor of Zhonggu Logistics' boutique routes showed an upward trend compared with 2021.



## International Routes

In active response to the new development pattern proposed by China that "take the domestic cycle as the mainstay and let the domestic and international cycles promote each other", Zhonggu Logistics takes advantage of the existing domestic trade network to continuously deepen and expand near-ocean routes.

In 2022, we continued to expand our layout in Southeast Asia to make the overall network more extensible and flexible, and increased the total number of ships in operation, involving 5 overseas countries and 12 domestic and international ports.

### Create competitive advantages, provide sincere services

- Compared with the original CCA model for foreign trade barge, the WGO (water gate) model has lower cost and faster timeliness, gets rid of the shackles of CCA on customers, reduces the timeliness and cost of the whole process, and provides customers with more choices. In this way, it forms the core of competition for the foreign trade routes of Zhonggu Logistics.

### Promote international routes with domestic trade routes based on the platform

- We mobilize domestic trade barge resources, integrate and optimize the loading of Wuzhou-Nansha barge route, form a win-win situation of timeliness and benefit, and create high-quality services for Zhonggu's foreign trade.

### Provide a guarantee with the supporting service system

- The whole process is closely connected, and we provide customers with one-to-one guide, allowing them to have time-saving, trouble-free and worry-free experience, to comprehensively improve their service experience.

### Build an excellent reputation and strive for excellence

- Jumping out of the geographical limitations of Nansha, we extend and expand the radiation range of foreign trade, and create a good reputation and brand reputation for Zhonggu by integrating domestic trade port, container, and barge resources, combined with domestic trade experience.

New mode of internal and external cycles



## Quality Management

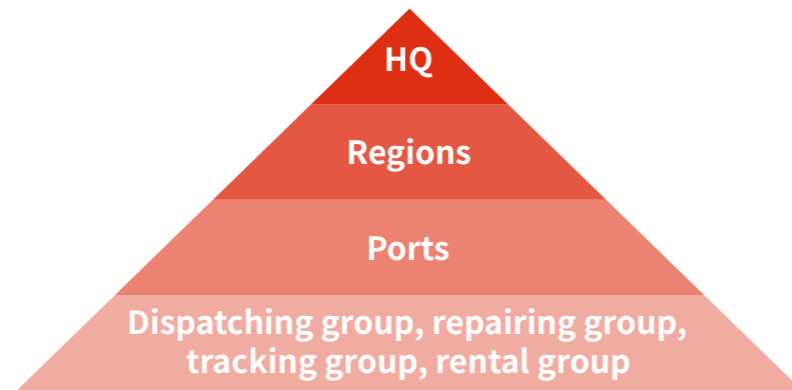
Zhonggu Logistics, always being customer-centric and valuing service quality, has established a standardized container management architecture, established and implemented complaint handling and dispute resolution mechanisms, to provide customers with satisfactory service experience.

### Complete Container Management System

We have established a complete container management system, comprehensively optimized and upgraded the container management system and route management methods and ensured the safety and effectiveness of each link of transportation by reducing the rate of container damage and improving the utilization rate of high-line warehouses. Based on stable transportation, we have managed to reduce costs and improve efficiency.

#### •Container Management Architecture

We have established a container management architecture with clear responsibilities, built a two-level flat management system within the container management department, and ensured the adaptation of containers and cargo through precise classification and management of containers.



Container Management Structure

Warehouse management system

Agreed price approval system

Express cargo transportation system

Branch switching system

Overdue container follow-up and early warning system

Container management system

#### •Container Management System

On the basis of examining the whole life cycle of customer service, analyzing each scenario of transportation, and relying on platform technology, Zhonggu Logistics has established the container management system and a full-process management system from order placement to tracking, query, modification and statement, which further improves the service quality.

#### •Route Management

To improve the timeliness of transportation, we continue to strengthen the management of transportation routes, save the Company's operating costs while improving the service quality, and form a good momentum of sustainable development.

Transportation route

•Conventional route: Routine management according to preset system modules.

•Change of route: Changes in transportation routes due to factors such as temporary adjustment of routes and customer needs are managed through a specific process.

Transit route

•Guide ship stowage and transit flow to speed up transit, achieve the balance of import and export, and increase the benefits of route operation.

Route management

In 2022, we speeded up the transportation and effectively increased the load rate of ships by continuously upgrading container management routes and optimizing transit channels.

### Optimization of Southwest Transportation Corridor

•By optimizing the southwest transportation corridor, we increased the load rate of the Xiamen-Tianjin line from 46% in March to over 70%. The Xiamen-Shanghai line and Xiamen-Taicang line always maintained a full load, and the overall transit time was shortened by 3- 4 days compared with southern China.



**•Scientific Replacement of Old Containers**

We reduce the loss rate of containers in three ways: old container iteration, old container sealing, and upgrade of the newly repaired container management system.

<p><b>Old container iteration</b></p>	<ul style="list-style-type: none"> <li>•During the reporting period, Zhonggu Logistics fully rejuvenated the Company's container fleet:</li> <li>•Eliminated 13,000 self-owned old small containers (10 years and above), and returned 2,000 leased old small and high containers (13 years and above).</li> <li>•Supplemented newly built 13,000 small high containers and 25,000 high containers.</li> </ul>
<p><b>Old container sealing</b></p>	<ul style="list-style-type: none"> <li>•When the container is rich, choose to seal up the old containers.</li> </ul>
<p><b>Upgrade of the newly repaired container management system</b></p>	<ul style="list-style-type: none"> <li>•Open up the sharing of container age information and repair information, and seal up the old residual containers without repairing them.</li> <li>•The intelligent container repair management system fully realizes the data connection with the container repair company, avoiding the loss of historical photos due to personnel changes and other situations.</li> <li>•Fully realize automatic matching and calculation to avoid favoritism and fraud.</li> </ul>

To improve the utilization rate of airline space, we have established a mechanism of all-round long-term cooperation with Shanghai Pan Asia Shipping Co., Ltd. to strengthen business coordination and achieve complementary advantages.

**Cabin sharing cooperation**

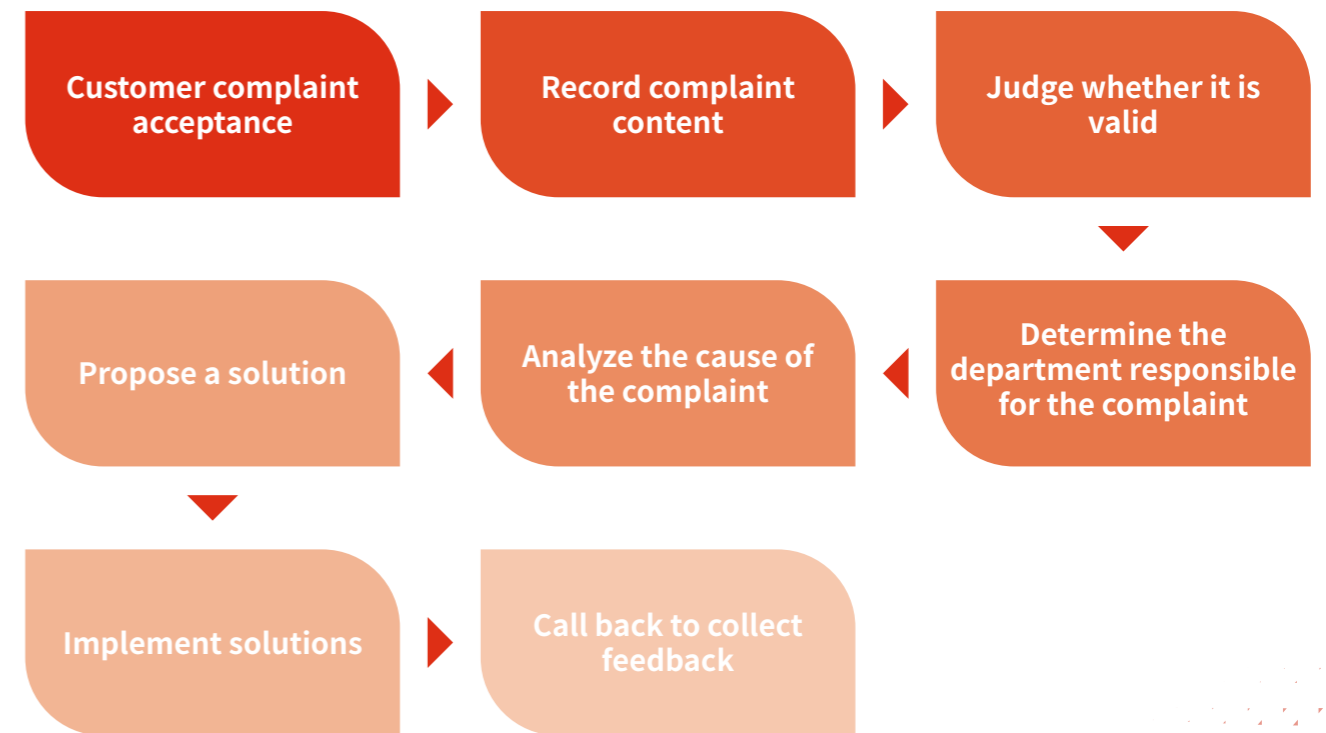
In July 2022, Zhonggu Logistics started to share cabins with Shanghai Pan Asia Shipping Co., Ltd. According to the agreement, the capacity and space of the "Shanghai-Xiamen-Shanghai" route of Zhonggu Logistics and the "Nantong-Quanzhou, Shihu-Nantong" were shared.

As of the end of the reporting period, the two sides had exchanged more than 9,800 natural containers. The successful development of this cabin sharing business laid a good foundation for the friendly cooperation between Zhonggu Logistics and its peers. It is expected that in 2023 we will carry out more in-depth cooperation with our peers to achieve a higher utilization rate of airline space and improve customer satisfaction.

**Customer Service**

In pursuit of customer satisfaction, Zhonggu Logistics continuously optimizes customer service experience, having established and improved the customer satisfaction survey mechanism, to improve the service quality. We invite customers to participate in customer satisfaction surveys through channels such as the Zhonggu e-commerce platform, WeChat official account, and circle of friends. Moreover, we pay attention to customer privacy, and do not claim customers' personal information in the questionnaire survey process. The overall customer satisfaction rate during the reporting period was 95%, a year-on-year increase of 6 percentage points.

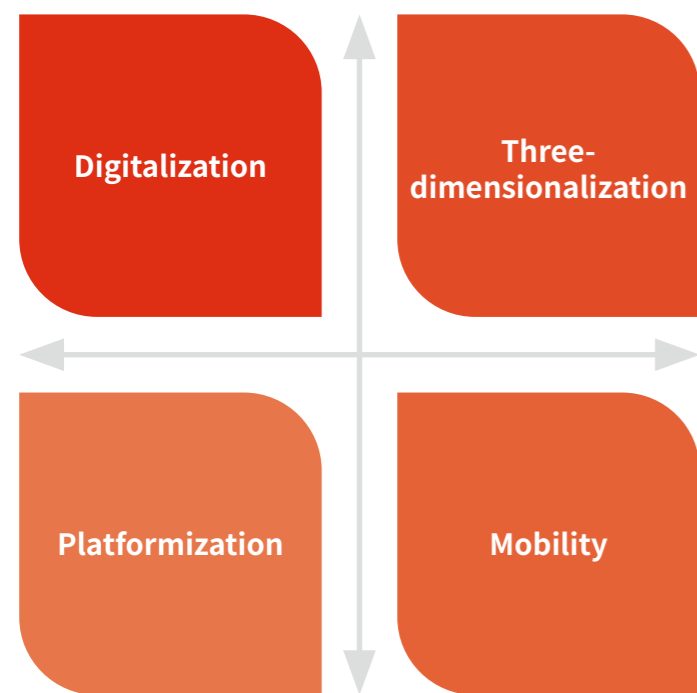
We actively listen to customers' suggestions and opinions, and constantly rectify to overcome our own shortcomings. The Company has formulated the Operation Manual for Customer Complaint Handling Process and Management Measures to help customers solve problems efficiently. In 2022, the Company received a total of 146 complaints about products and services, a year-on-year decrease of 36%, and the complaint handling rate was 100%.



Complaint handling process

# Digital Shipping Transformation

With the further implementation of the "14th Five-Year Plan", the digital transformation of various industries is imminent. Facing the opportunities and risks of digital transformation, Zhonggu Logistics has always adhered to the pursuit of "first-class company, first-class talent, first-class performance, and first-class return", promoting the digital transformation of the shipping industry and realizing the value of digital transformation.



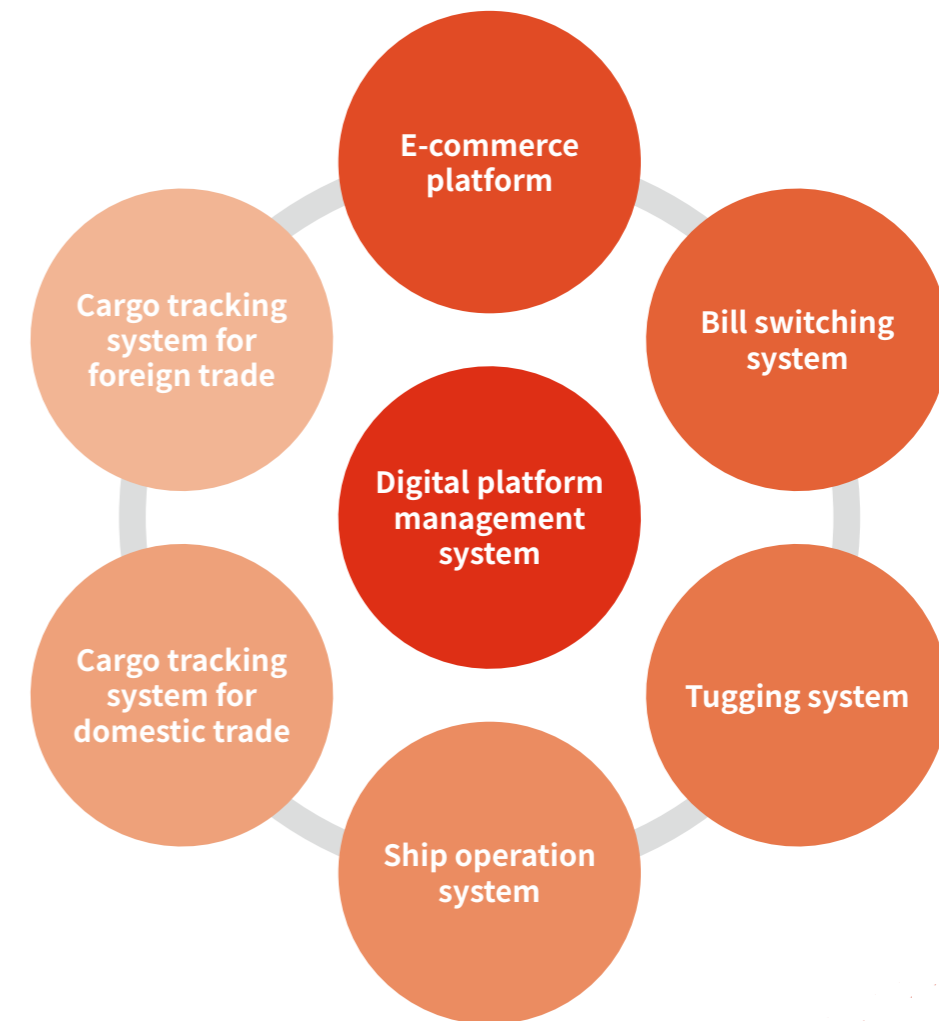
Four development goals of the logistics system

## Digital Transformation Goals

Zhonggu Logistics always attaches great importance to scientific and technological innovation, pursues the development goal of "digitalization, three-dimensionalization, platformization, and mobility", increases R&D investment, focuses on informatization, digitalization and intelligence, and facilitates digital aviation transformation.

## Digital Platform Management

With the rapid growth of logistics business of Zhonggu, the intelligent and efficient digital shipping has become a new demand. To improve customer experience, we have established a complete digital platform management system, and independently developed six major systems: Zhonggu e-commerce platform, bill switching system, tugging system, ship operation system, cargo tracking system for domestic trade, and cargo tracking system for foreign trade. Together, they provide customers with logistics information services throughout the process.



## Digital Innovation Technology

As a pioneer in applying "Internet +" technology in the logistics industry, we actively leverage the advantages of our own technology reserves, continue to increase research and development efforts to improve the business management quality and efficiency relying on the original electronic data software, RPA technology, AI recognition and other intelligent innovation technologies.

### Electronic data software

•Optimize port docking through the developed electronic data interchange (EDI) software, and replace mail delivery with electronic transmission, to improve docking efficiency.

### Robotic Process Automation (RPA)

•RPA technology is introduced for the external customer connection system, and the B2B automatic data docking empowers the production of enterprises, improves the efficiency of business document processing, and reduces the error rate.

### AI recognition

•AI photo recognition technology is used to realize the fast approval of container repair quotation, repair review, automatic account reconciliation, etc., which ensures data accuracy while improving efficiency.

We continue to accelerate the information construction, optimize passenger and cargo docking and terminal yard services through the ERP system, and comprehensively improve the quality and efficiency of operational services. In addition, we constantly optimize the cargo tracking technology system to reduce communication costs and improve service efficiency.



### One-stop booking service

•Establish a multi-schedule and multi-container quotation system to allow customers to understand Zhonggu's shipping schedule and quotation more directly and conveniently, and truly realize the one-stop booking service for customers to make independent inquiries and place orders.

### Whole-process freight tracking

•Make nodes throughout the process of transportation transparent, so that customers can clearly know the cargo information, transportation information and storage information.

### Customized information push

•Customers can choose the information they need to pay attention to and get reminders of relevant information changes in real time.

### Mobile operating platform

•Allow customers to conduct inquiries, place orders, deliver goods and other operations anytime, anywhere.

Optimization of cargo-passenger connection mode

### Information technology

•Achieve information connection with cooperative terminals and yards through EDI, EIR, EDO and other information to ensure that there are traces of container entry and exit, and there is evidence to follow when picking up and returning containers;

•Master big data and systematically analyze it to efficiently assist business personnel in business processing and business judgment;  
•Unify standard docking documents to reduce the risk of personnel changes.

### Performance appraisal

•We evaluate and rank the yards and wharfs through systematic data analysis of operation time, and have established an effective incentive mechanism to improve the service level. In addition, we convert its service advantages into our own.

### System management

•The closed-loop management of enterprise business is realized through system management, which reduces manual intervention, and ensures accuracy of business data and financial data.

Optimization of the terminal yard service system

### Add the function of refreshing cached data

•Add the function of refreshing cached data in real time for delivery, dispatching, transshipment, and container transfer, weaken the large-scale refreshing cache for unfinished bills of lading every night, and improve data timeliness and accuracy.

### Optimize data processing

•Launch the ES log viewing platform, test and improve the splicing method of background parameters, improve the quality of customer service and reduce communication costs.

Optimization of the cargo tracking system

## Data Security Management

Based on the original data security guarantee mechanism, we updated and revised the Information Security Management System of Shanghai Zhonggu Logistics Co., Ltd., continued to review information security, continuously consolidated the data security defense line, and improved the level of data security management.

### Website and application security assessment

•Identify all sorts of Internet security problems through various methods based on the development cycle of the application, to ensure software security at all times.

### Website and application security reinforcement

•Reinforce the rationality of the application code and make sure that the application is deployed reasonably to enhance security.

### Filtering of external threats

•Deploy devices such as the firewall and IPS to monitor, filter and record malicious external access.

### Status monitoring

•Continuously check the current status of the protected application page and monitor the website access log directory to determine whether the page is under attack.

### Emergency response

•Make plans for security incidents with high probability in advance and test the plans in drills; strive to report and handle security incidents in the most efficient and reasonable way, and make sure to summarize the lessons learned.

### Data security management

•Keep daily data backup, including daily application, database, document, etc. Establish a backup mechanism to ensure that backup data is independent of the production and office environment.

Data security guarantee mechanism

## Build Together

The progress of the industry is inseparable from the cooperation of multiple players. While developing and improving its own technology, Zhonggu Logistics actively cooperates with other players to optimize the business operation model and improve service quality and efficiency.

### Automated unmanned dock

In order to comprehensively improve the level of "intelligence, automation, paperless, and integration" of Zhonggu's Qinzhou project, Guangxi Land-Sea Intermodal International Container Development Co., Ltd., a wholly-owned subsidiary of Zhonggu Logistics, has reached a cooperation with Shanghai Zhenhua Heavy Industries Co., Ltd. ("ZPMC") to purchase two semi-automatic track-mounted container gantry cranes and related automatic control and information systems independently developed and manufactured by ZPMC with domestic first-class standards, and fully launched the domestic first-class TOS system (Terminal Operation System) independently developed by ZPMC, so that the intelligent information level of Zhonggu's Qinzhou project reaches the highest level in domestic container inland yards. It thus realizes independent planning, automatic operation and intelligent management of the entire project business process.

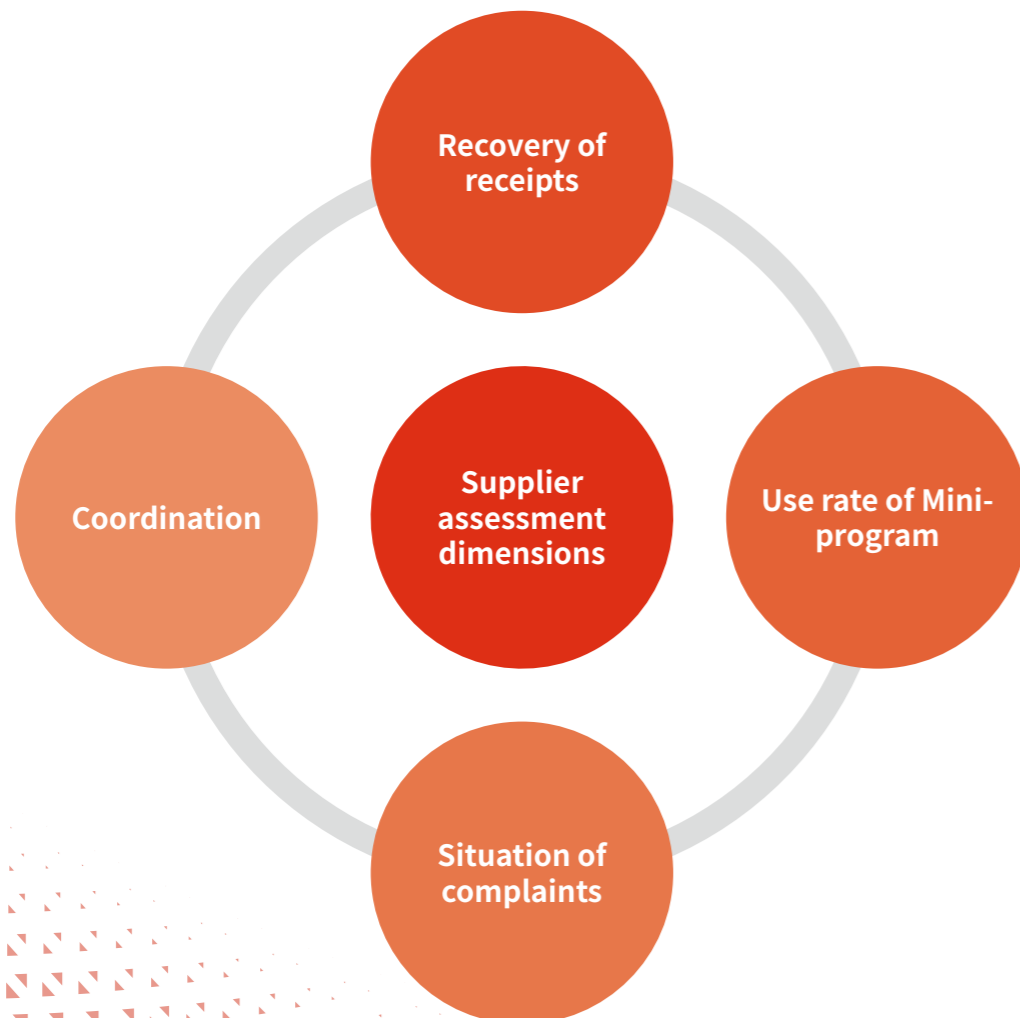
This cooperation has established the development position of Zhonggu's Qinzhou project in the domestic container business. Zhonggu's Qinzhou project has become the inland yard with the highest level of automation in China.



# Strengthen Supply Chain Management

Zhonggu Logistics understands that a good partnership is the basis for the long-term development. We carry out supply chain management in strict accordance with the Law of the People's Republic of China on Bid Invitation and Bidding and other relevant laws and regulations, and ensure that both parties to commercial contracts carry out their work in a compliant, upright and honest manner by constantly improving the procurement system, formulating and implementing the Zhonggu Logistics Supplier Management Measures, the Basic Rules for Bidding and Procurement, the Anti-Commercial Bribery Agreement and other rules and regulations, and standardizing the bidding process.

We have established a stricter review mechanism for land logistics fleet suppliers (important stakeholders in Zhonggu Logistics' supply chain), clearly requiring all fleet suppliers to provide valid compliance documents such as business licenses, road transport permits, operating certificates, etc. We have signed agreements on freight forwarding, KPI assessment, safety and environmental protection, and anti-bribery. During the reporting period, the Company updated and released the trailer bidding rules and related document templates and launched the trailer bidding system.



To strengthen supplier management, we assess supplier performance using a variety of audit methods and carry out targeted training of suppliers based on the assessment results and operational status every month to standardize supplier behaviors.

## Supplier training

During the reporting period, Zhonggu Logistics provided a variety of online and offline training courses for more than 1,000 suppliers. The training on terminal operation, loading process, Luyun system operation, delivery process, cross-strait intercommunication and other related content was provided for trailer suppliers to improve their delivery capability.



Supplier training site



# Create a Harmonious Community

Zhonggu Logistics actively assumes social responsibilities, lives up to the corporate mission of "creating happiness for employees and creating value for the society", and always pays attention to the needs of employees. In addition, we promote the development of employees, and continue to exert our advantages while ensuring the smooth operation of the Company, giving back to the society in the principle of "spreading love and sharing value".



## Promote Diversity and Equality

Zhonggu Logistics strictly follows the fair, impartial and non-discriminatory employment policy to ensure equal employment. We strive to promote the long-term development by creating and maintaining a diverse and equal employment environment, continuously expanding recruitment channels and strengthening talent management.

### Employment

We strictly follow the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Minors, and the Provisions on the Prohibition of Using Child Labor, etc., uphold the fair, impartial and non-discriminatory employment policies and legal employment principles, and strictly prohibit the employment of child labor or forced labor, having established and improved the internal talent management system. During the reporting period, there were no violations of laws and regulations related to child labor and forced labor.

We adhere to the principle of fair and equitable employment, strive to create a diverse and inclusive employment environment, and constantly optimize the employee structure. As of the end of the reporting period, the Company has a total of 1,455 employees, all of whom are full-time employees.

**Gender diversity:** We attach importance to workplace equality, advocate gender diversity in the workplace, and provide equal development platforms and opportunities for male and female employees. As of the end of the reporting period, the Company has a total of 1,061 male employees and 394 female employees.

**Age diversity:** We support the influx of young people and value experienced backbone employees. The Company has always actively built a diverse age composition. As of the end of the reporting period, there are 781 employees under the age of 30, 616 employees aged between 31 and 50, and 58 employees over the age of 50.

**Regional diversity:** Our employees come from many cities across the country.

In addition, we respect the choice of employees. We will handle the resignation process in accordance with the law when an employee chooses to leave. The overall employee turnover rate during the reporting period was 13.61%.

## Diversity in Hiring

Strictly following relevant laws and regulations, Zhonggu Logistics has formulated the Employee Handbook and the Recruitment Policy to standardize the recruitment process. In order to continuously enlarge the Company's talent force, we uphold the principle of diversity and equality in recruitment and have built a variety of recruitment channels. During the reporting period, we continued to expand campus recruitment channels, and attracted elite talents on campus through the "Future Star" management trainee project, campus presentations, and school-enterprise cooperation.

### "Future Star" Management Trainee Project

In 2022, we launched the "Future Star" management trainee project of on-campus recruitment, aiming to cultivate management reserve talents who are highly in line with the values of Zhonggu Logistics, pursue excellence, dare to fight, are full of passion, and are willing to grow together with the Company.

The project pays attention to the training path and the qualifications of teachers, adopts the "one-year, three-stage" training plan, and provides 1-2 years of special training for outstanding management trainees, so that they can quickly grow into the backbones of various departments/offices.

### Campus Presentation

We recruit students on campus through both online and offline presentations.

•Online presentations: Through the online release of the well-produced official video of the online presentation, it fully demonstrates the corporate style of Zhonggu Logistics. Combined with the online application system, it has achieved a substantial increase in the coverage of colleges and universities and the number of deliveries.

•Offline presentations: Zhonggu's brand is promoted through offline on-campus presentations in various colleges and universities. While more jobs are provided, students can have a deeper understanding of Zhonggu Logistics. In addition, through multiple offline interviews and communications, it is convenient for the Company to select talents who are more in line with Zhonggu's values.



## Campus presentation

During the reporting period, we held offline presentations at Wuhan University of Technology and Fuzhou University, and online presentations at Tianjin University of Technology. In addition, in November 2022, Zhonggu Logistics launched the online presentation for 2023 autumn recruitment. Through several lectures, Zhonggu Logistics not only provided jobs, but also promoted the corporate brand and corporate culture, so as to facilitate the selection of talents who are more in line with the values of Zhonggu.



Online presentation for 2023 autumn recruitment of Zhonggu Logistics

## School-Enterprise Cooperation

By joining hands with various colleges and universities, we have established a good school-enterprise cooperation model, and directly recruit talents from the campus.

## School-enterprise cooperation



For a long time, Zhonggu Logistics and Fuzhou University have had a good foundation for school-enterprise cooperation. In order to consolidate the school-enterprise cooperation and encourage more Fuzhou University talents to join Zhonggu Logistics, Zhonggu held the "2021-2022 School of Economics and Management Scholarship Award Ceremony of Fuzhou University" on October 13, 2022. The issuance of this bursary is an affirmation and reward for the hard work of the excellent painstaking, progress-making students of Fuzhou University, as well as an encouragement for other students. It also marks a new stage for the cooperation between the university and the Company.

Award Ceremony of Zhonggu Logistics Scholarship

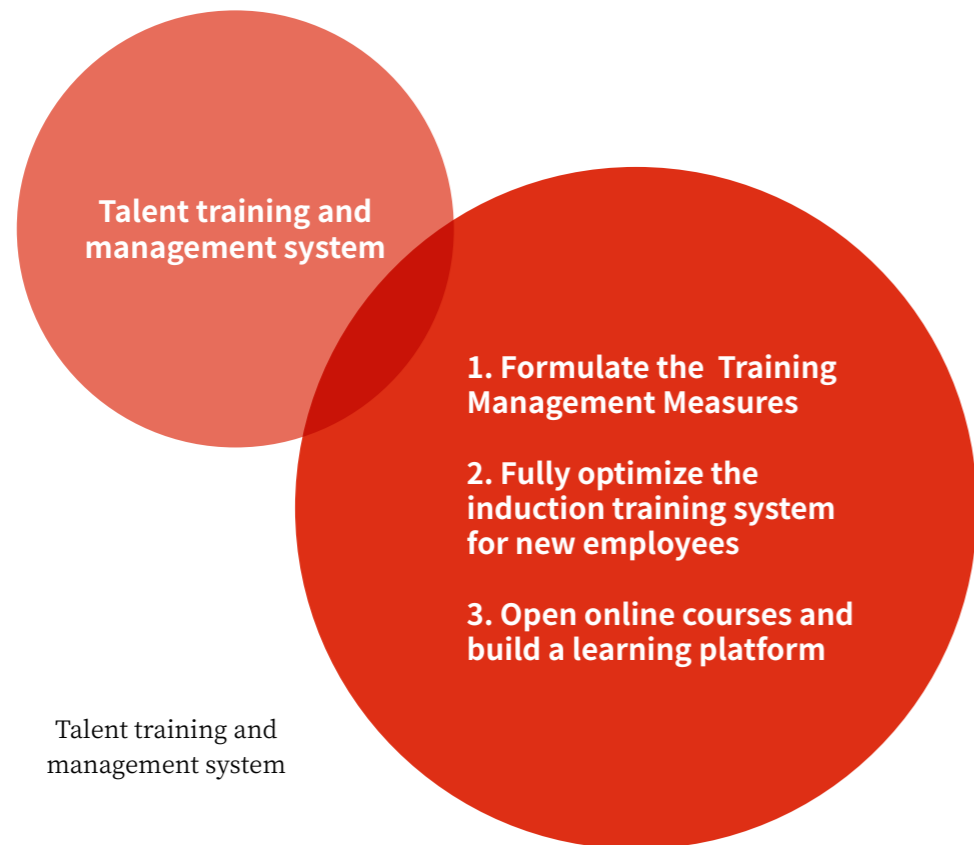


# Talent Development

Attaching great importance to the cultivation of talents, Zhonggu Logistics has set up diversified career development channels for employees to help them grow rapidly and realize their self-worth. Also, we are well aware of the differences in the demands of different employees, and have created personalized training contents and models for employees at different growth levels to achieve effective talent training by improving the talent training mechanism continuously.

## Talent Cultivation

To help each employee realize their self-worth, we have established and continuously updated a diversified talent training and management system according to the differences and demands of different employees, so as to reserve corporate talents in an all-round way and promote employee development.



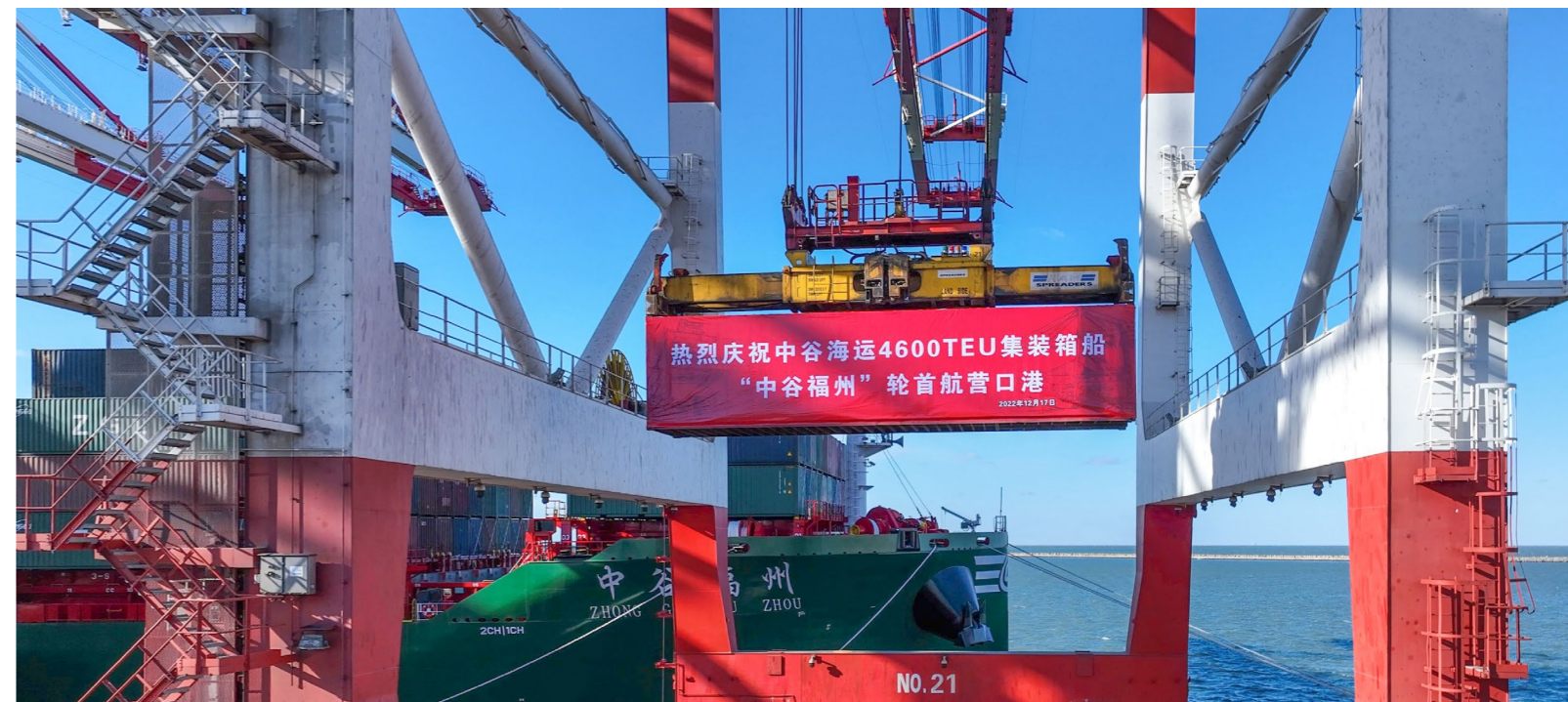
During the reporting period, we continued to improve the induction training system for new employees, issued the New Employee Entry Guidelines, and revised it twice in June and September according to the actual situation, so as to strengthen the refined entry management of employees. In addition, we also set up an online course platform for all employees, developed 28 online learning courses, and set training goals based on employee needs, so as to enrich their learning life and improve their professionalism.

## 2022 new employee training

Zhonggu Logistics helped new employees quickly adapt to work and life. For the first time, the "online + offline" training model was adopted to provide employees with 11 online courses and many offline courses, including post training, cultural value training, and external training for role transformation and professional shaping.



New employee training



During the reporting period, employee training covered a total of 1,630 people, and the training investment was 2.68 million Yuan, representing an increase than 2021. The details are as follows:

		2022	2021	Change
Total number of trainees		1,630 persons	1,588 persons	3% ↑
Average number of hours of training per employee		40.28 hours	24.52 hours	64% ↑
Average number of hours of training by gender	Male	40.00 hours	24.51 hours	63% ↑
	Female	40.98 hours	24.55 hours	67% ↑
Average number of hours of training by employee type	Top-level management	46.00 hours	31.92 hours	44% ↑
	Mid-level management	45.00 hours	29.68 hours	52% ↑
	Grassroots employees	39.67 hours	24.45 hours	62% ↑

## Employee Care

We always put the protection of employees' rights and interests at the core and respect the opinions and feedback of every employee. We effectively enhance employees' sense of belonging by providing employees with attractive salaries and benefits, creating an excellent working environment, and providing scientific and rigorous employee support plans.

### Attractive Salary System

We continue to optimize the internal salary and welfare system and establish a system in which salaries of employees are determined mainly based on their abilities and performance in light of the market salary level. To fully motivate the employees, we continue to implement the second long-term incentive plan based on the original salary and welfare system. By linking the virtual stock with the employee's personal performance assessment, we allow the employees to obtain dividends at zero cost on a rolling basis. Compared with the first long-term incentive plan, 136 new outstanding employees joined the partner team during the reporting period.

## A Warm Working Environment

Adhering to the tenet of "creating happiness for employees and creating value for the society", we provide employees with a good working environment to enhance their sense of well-being and build multiple two-way communication channels to effectively maintain their enthusiasm for democratic communication so as to enable the employees and the Company to develop together.

### Office Environment

We respect and appreciate the hard work of every employee and constantly improve the internal environment of the Company while providing statutory benefits for employees. In 2022, we moved our office into a new 5A-level office building where catering and fitness services are available to employees.



### Employee Communication

Employees are the most valuable asset of Zhonggu Logistics. We listen to the voice of every employee and try to understand their appeals. Through diversified employee activities and assistance activities, we narrow the distance with employees and effectively help employees in difficulties. In a word, we are committed to creating a truly happy workplace and enhancing employees' sense of belonging and identity.

We encourage and support employees to put forward constructive opinions and suggestions and listen to the voices of employees through various channels such as employee complaint mailboxes, telephone hotlines, and e-mails. In addition, paying closer attention to the growth of employees, Zhonggu Logistics has implemented the "letter from home" system for a long time. By establishing a normal communication mode between top-level management and employees, we keep abreast of employees' demands and assist them in self-review and summary.

### Mutual Assistance between Employees

Always caring about the lives of employees, Zhonggu Logistics is committed to spreading the concept of caring and public welfare with employees as the core. For this reason, the "Zhonggu Logistics Love Fund" has been established to help employees in difficulties. During the reporting period, a total of 49 needy employees were subsidized, including 3 subsidies for the death of relatives, 3 subsidies for maternity, 35 subsidies for marriage, 7 subsidies for illness, and 1 subsidy for hospitalization, with a total expenditure of 58,000 Yuan.

## Fulfilling Spare Time

Caring for employees, we are committed to enhancing corporate cohesion and improving employee happiness by organizing diversified employee activities. In addition, we attach great importance to the occupational health and safety of employees, trying to provide employees with a healthy and safe working environment and improve the level of corporate health and safety management.

### Employee Activity

We care for employees and strengthen their sense of belonging by carrying out a variety of employee activities, including team building activities, festival activities, cultural and entertainment activities, women's care activities, etc.



### Expanded team building activities in 2022



From June to September 2022, Zhonggu Logistics carried out quality development and team building activities with various themes such as "working together to pursue the dream", and "physical and spiritual improvement for high-quality development of Zhonggu" to ease the pressure on employees and enhance corporate cohesion and centripetal force.

### "Enjoy the Lantern Festival with Passion for Winter Olympics" theme event



On February 15, 2022, the Headquarters of Zhonggu Logistics held a themed event of "Enjoying the Lantern Festival with Passion for Winter Olympics". We carried out a variety of sports and game activities for all Zhonggu employees, allowing them to experience the unique atmosphere of the Winter Olympics while celebrating the traditional festival.

### Basketball Champions Cup



To promote the physical and mental health of employees and relieve work pressure, the Headquarters of Zhonggu Logistics launched a basketball championship cup game on October 21, 2022. The competitors were divided into four teams for the knockout round. The players participating in the competition wore red and white team uniforms and sweated on the field, showing Zhonggu's demeanor.

### Caring for female employees



On International Women's Day on March 8, 2022, Zhonggu Logistics presented each female employee with a red rose in gratitude for their hard work. In addition, we specially set up an "early spring reception wall" for them and presented them with exclusive red envelopes, so that female employees could receive unique praise and blessings.

## Employee Health and Safety

We attach great importance to the health and safety of employees. By constantly improving internal safety management rules and occupational health protection systems, we hope to provide a safe and healthy workplace for all employees in strict accordance with laws and regulations such as the Safety Production Law of the People's Republic of China and the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases. Through the development of diversified safety and health training courses, we try to enhance employees' awareness of safety precautions and build a health and safety barrier in an all-round way. During the reporting period, we completed the annual inspection and certification of the occupational safety and health management system.



Occupational safety and health management system certificate

To enhance employees' safety awareness, we encourage employees to engage in safe production and organize the study of laws and regulations, interpretation of internal policies, emergency drills and other safety awareness training. During the reporting period, a total of 1,176 hours of safety training was provided to employees.



## Ship emergency drill

On August 18, 2022, Zhonggu Logistics organized a ship-shore joint emergency drill to examine employees' safety awareness and accident response capabilities by simulating a fire in the cabin during the voyage, so as to enhance employees' safety awareness and improve internal emergency response capabilities.



Emergency drill site

## Safe operation education

Since its establishment, Zhonggu Logistics has accumulated a lot of experience in production and operation in strict accordance with the production and operation safety management rules, actively sharing preventive measures for safe production. In 2022, the Huangdao Maritime Affairs Office held an industry conference on the Review of Oil Supply and Receiving Safety Plan created by Zhonggu Logistics and invited all relevant enterprises and units in the jurisdiction to learn from our advanced and complete experience in safe operation so as to prevent fuel leakage.



Industry conference site

Since the occupational health and safety mechanism for employees was improved continuously, there was no work-related death in Zhonggu Logistics during the reporting period, and the total number of work injuries dropped significantly compared with 2021. The details are as follows:

	2022	2021	Change
Number of work-related deaths in the past three years	0 person	0 person	-
Days of work lost due to occupational injuries	12 days	102 days	88% ↓
Days of work lost due to occupational injuries per million Chinese Yuan	0.0008 days	0.08 days	99% ↓
Work injury rate	0.07%	0.14%	50% ↓
Number of work-related injuries	1 person	2 persons	50% ↓
Number of work-related accidents	1	2	50% ↓

## Support Public Welfare Undertakings

While pursuing self-development, Zhonggu Logistics extensively participates in public welfare undertakings, and actively feeds back the society in a responsible manner. The Company continues to exert its strength as a leading enterprise in the container logistics services for domestic trade, sends warmth to the society through a series of diverse and colorful public welfare projects such as "caring for children in need", "supporting anti-epidemic efforts" and "helping disaster relief", and helps employees to realize their value. During the reporting period, Zhonggu Logistics donated a total of 1 million Yuan, while our employees provided voluntary services for about 86,000 hours, and each employee contributed about 59 hours of voluntary services.



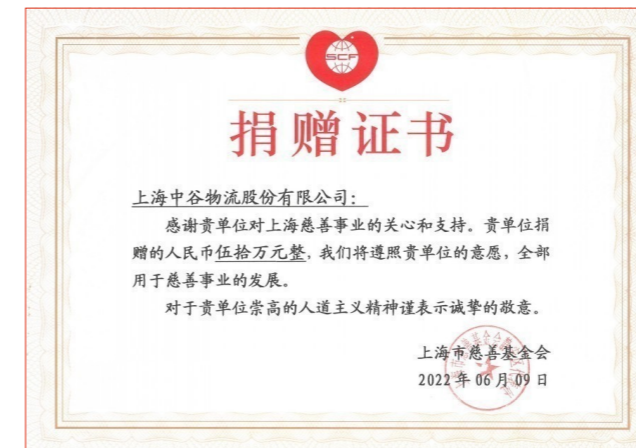
On March 8, Zhonggu Logistics went to Rulin No. 2 Primary School in Nanhai District, Foshan City, Guangdong Province to give condolences to special children and special education teachers.



On July 13, Zhonggu Logistics donated student stationery to a complete primary school in Pupeng Village, Shanyang Town, Yongping County, Yunnan Province, and granted scholarships to outstanding student representatives.

### Care for Children in Need

It is the common responsibility of all sectors of society to create a safe, worry-free, caring, and healthy growth environment for children in need. Focusing on poor children and special children groups, Zhonggu Logistics has taken a series of child care actions in depth, constantly improved the "warmth", "depth" and "strength" of children's care services, and taken practical actions to be the guardian and dream builder of children.



### Help Disaster Relief

Disasters are merciless but people are sympathetic. Zhonggu Logistics actively fulfills its social responsibilities by donating to the disaster-stricken areas. In 2022, Zhonggu Logistics successively signed a letter of intent to donate with the Shanghai Charity Foundation and the International Committee for the Promotion of Chinese Industrial Cooperatives and made donations worth 1 million Yuan.

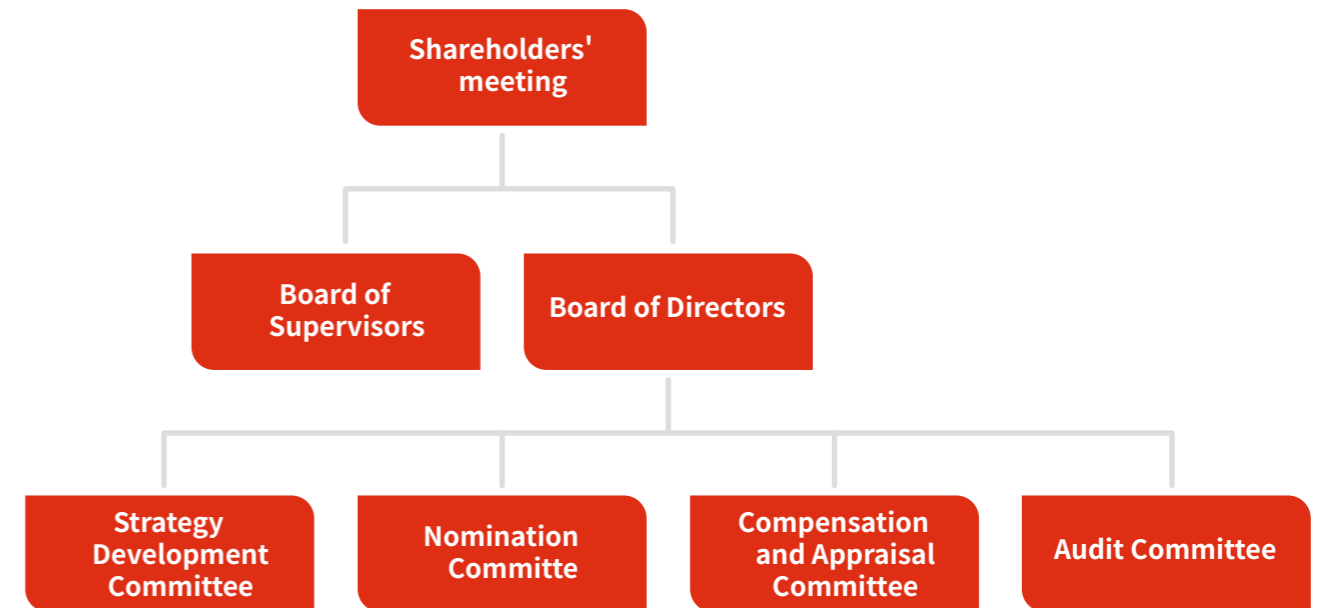
# Start a Sustainable Business

Against a backdrop of new situation of economic development and changes at home and abroad, Zhonggu Logistics decided to step up our entire logistics efforts through a "landing strategy" incorporating all kinds of resources to provide clients with "door-to-door" logistics solutions and perfect our "last mile service". We continue to improve the level of corporate governance by creating a clean and honest corporate culture and operating model amid legal and compliant operations, and strengthening the assessment and control of various operational risks, so as to lay a solid foundation for sustainable development.



## Corporate Governance

Zhonggu Logistics improves its corporate governance in an all-round way in strict accordance with the requirements of such laws and regulations as the Company Law of the People's Republic of China, the Code of Corporate Governance of Listed Companies, the Guidelines for Introducing Independent Directors to the Board of Directors of Listed Companies, the Rules for the Shareholders' Meetings of Listed Companies and the Guidelines for Articles of Association of Listed Companies. The Company gives full play to the role of the Board of Directors and specialized committees in corporate governance. The general meeting of shareholders, the Board of Directors, the Board of Supervisors, and the managers earnestly perform their duties and strictly abide by the procedures for operation. The Board of Directors of Zhonggu Logistics consists of nine members, including six executive directors and three independent non-executive directors.



Governance structure of Zhonggu Logistics

The Company continuously optimizes corporate governance by taking multiple measures, having further improved operational efficiency by executing various tasks in a reasonable manner according to the plan.

**Zhonggu Logistics' measures to optimize corporate governance**

Improve the corporate governance structure and a long-term compliance management mechanism, and ensure compliance with the "Three Meetings"

Establish a communication platform to create an efficient and coordinated workflow and operating mechanism

Relying on the internal control system, improve the internal control and risk control procedures, and clarify the main responsibilities and management methods

Promote personnel training and study of laws and regulations, manage information of rights and interests, regularly report information, conduct field research, and strengthen the role of independent directors and intermediaries

## Compliance Operation

Zhonggu Logistics has formulated a series of internal regulations in accordance with the Company Law of the People's Republic of China and other laws and regulations as well as industry guidelines, to ensure legal and compliant operation and also long-term and stable development. For key areas such as cost control and asset management, the Company has designed control indicators such as ship's load rate, port stay duration, and direct docking rate to strengthen compliance management in an all-round way.

We have established a complete compliance system and provided compliance training for directors, supervisors and senior managers. We follow the regulatory requirements in a timely manner. In case of any policy change, we analyze the specific content in a timely manner, evaluate the impact on the Company and propose adjustment measures, and promptly notify relevant departments to provide special training.

## Business Ethics

Zhonggu Logistics insists on "creating a deterrent against corruption, preventing corruption and building moral defenses against corruption", and ensures the integrity of the Company with a comprehensive supervision system. We have formulated anti-corruption rules such as the Management Measures for Combating Corruption and Upholding Integrity, and the Management Measures for Accountability for Dereliction of Duty and Violation of Regulations to strengthen management through institutional improvement. The Company has set up a steering group that aims to address corruption and enhance integrity with the chairman of the company as the chair and directors as deputy chairs. The group members consist of heads of various departments, regions and wholly-owned subsidiaries to coordinate the clean governance and anti-corruption. The Company attaches great importance to the positive role of supervision and reporting in anti-corruption, actively expands the supervision and reporting channels, and has set up internal and external reporting mechanisms, encouraging internal and external personnel to report any violations of regulations and disciplines directly through the chairman's mailbox.

Zhonggu Logistics has established an internal audit department under the Audit Committee, which is responsible for auditing, supervising and inspecting the Company's main business activities, and further improving the anti-corruption system. In 2022, we conducted business audits on the marketing departments of the Northeast Region and Shandong Region, put forward rectification requirements for problems in compliance operations, internal management, risk prevention and control, etc., and followed up the rectification situation. As of the end of the reporting period, Zhonggu Logistics had no corruption lawsuits.

### Zhonggu Logistics' anti-corruption training

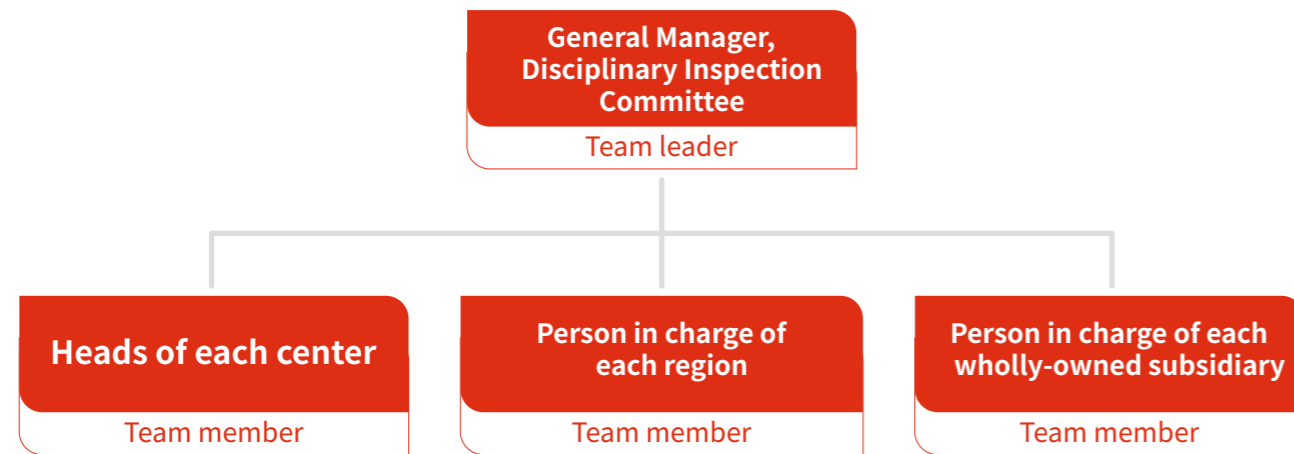


On September 14, 2022, Zhonggu Logistics organized online and offline anti-corruption training for new employees and the Company's middle and senior leaders to help employees establish a sense of integrity, improve their abilities to consciously resist corruption, and comprehensively promote a clean and honest atmosphere.

Zhonggu Logistics' anti-corruption training for new employees

# Risk Management

Risk management is crucial to the sustainable development of the Company. Zhonggu Logistics focuses on building a system while strengthening risk assessment, control and early warning mechanisms to make new breakthroughs in our system and capacity for governance.



Risk control construction team of Zhonggu Logistics

The Company's risk control working group is fully responsible for risk management and internal control. We have formulated the Internal Control and Risk Management Regulations and published three volumes of internal control system manuals (Vol I, Vol II and Vol III) to actively promote the institutionalization and systematization of internal control. In 2022, the Company set risk management and internal control work objectives, evaluated and audited internal control work, disclosed the internal control evaluation report, and found no major deficiencies in internal control.



Risk management and internal control objectives

## Perfect the risk management and control system

•Create and publish an internal control manual, define and standardize the job responsibilities and procedures for each position in the Collection of the Internal Control Systems of Shanghai Zhonggu Logistics Co., Ltd, and strengthen internal control training, to improve internal control capabilities.

## Identify responsibilities & hold the persons concerned accountable

•For huge direct economic losses caused by serious maritime accidents that occur frequently as well as the subsequent loss for detention, client claims, forced tugging and other indirect losses that are difficult to estimate, identify the management responsibilities of the persons concerned and hold them accountable; any serious dereliction of duty found shall be punished by notice of criticism and dismissal.

## Strengthen risk management assessment measures

•Incorporate risk management indicators into key KPI assessment, internal control evaluation, comprehensive competitiveness and other indicators, and urge each center and department to further improve risk and internal control management.

Risk management measures of Zhonggu Logistics

To eliminate or reduce the possibility of risk events, or to mitigate the loss caused by such events, Zhonggu Logistics organized regular staff training on risk control to strengthen their risk prevention awareness and professional skills. In 2022, we held a total of 4 special training sessions and multiple case sharing sessions. We also released relevant training videos through the Company's online training platform "E-school", covering all employees.





# Appendix

## GRI index

<b>Instructions for use</b>	From January 1 to December 31, 2022, Shanghai Zhonggu Logistics Co., Ltd. reported the information cited in this GRI index with reference to the GRI standard.
<b>GRI 1</b>	GRI 1: Basics 2021

Disclosure issue/item	Title of disclosure	Chapter
<b>GRI 1: Foundation 2021</b>		
<b>GRI 2: General Disclosures 2021</b>		
<b>The organization and its reporting practices</b>		
2-1	Organizational details	Company Profile
2-2	Entities included in the organization's sustainability reporting	About the Report
2-3	Reporting period, frequency and contact point	About this Report
2-5	External assurance	About this Report
<b>Activities and workers</b>		
2-6	Activities, value chains and other business relationships	Issues of Major Concern
2-7	Employees	Employment
<b>Governance</b>		
2-9	Governance structure and composition	Corporate Governance
2-12	Role of the highest governance body in overseeing the management of impacts	ESG Governance Structure
2-13	Delegation of responsibility for managing impacts	ESG Governance Structure
2-14	Role of the highest governance body in sustainability reporting	ESG Governance Structure
2-15	Conflicts of interest	Issues of Major Concern
2-16	Communication of critical concerns	Issues of Major Concern
2-17	Collective knowledge of the highest governing body	ESG Governance Structure
<b>Strategies, policies and practices</b>		
2-22	Statement on sustainable development strategy	Message from the Chairman
<b>Stakeholder engagement</b>		
2-29	Approach to stakeholder engagement	Stakeholder Communication
<b>GRI 3: Material Topics 2021</b>		
3-1	Process to determine material topics	Issues of Major Concern
3-2	List of material topics	Issues of Major Concern
3-3	Management of material topics	Issues of Major Concern
<b>GRI 201: Economic Performance 2016</b>		
201-1	Direct economic value generated and distributed	Key Performance
<b>GRI 205: Anti-corruption 2016</b>		
205-1	Operations assessed for risks related to corruption	Business Ethics
205-2	Communication and training about anti-corruption policies and procedures	Business Ethics
205-3	Confirmed incidents of corruption and actions taken	Business Ethics

<b>Environment</b>		
<b>GRI 302: Energy 2016</b>		
302-1	Energy consumption within the organization	Climate and Energy
302-3	Energy intensity	Climate and Energy
302-4	Reduction of energy consumption	Annual Features Climate and Energy
<b>GRI 303: Water and Effluents 2018</b>		
303-1	Interaction with water as a shared resource	Water Resource Management
303-2	Management of water discharge-related impacts	Water Resource Management
303-3	Water withdrawal	Water Resource Management
303-4	Water discharge	Water Resource Management
303-5	Water consumption	Water Resource Management
<b>GRI 305: Emissions 2016</b>		
305-1	Direct (Scope 1) GHG emissions	Climate and Energy
305-2	Energy indirect (Scope 2) GHG emissions	Climate and Energy
305-4	GHG emissions intensity	Climate and Energy
305-5	Reduction of GHG emissions	Annual Features Climate and Energy
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx) and other significant air emissions	Waste Gas Management
<b>GRI 306: Waste 2020</b>		
306-1	Waste generation and significant waste-related impacts	Waste Management
306-2	Actions taken to prevent waste generation	Waste Management
306-3	Composition of waste generated	Waste Management
306-5	Disposal operations	Waste Management
<b>Society</b>		
<b>GRI 401: Employment 2016</b>		
401-1	New employee hires and employee Turnover	Promote Diversity and Equality
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employees Care
<b>GRI 403: Occupational Health and Safety 2018</b>		
403-1	Occupational health and safety management system	Employees Care
403-2	Hazard identification, risk assessment and incident investigation	Employees Care
403-3	Guidance for Disclosure	Employees Care
403-5	Worker training on occupational health and safety	Employees Care
403-6	Promotion of worker health	Employees Care
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Employees Care
403-8	Workers covered by an occupational health and safety management system	Employees Care
403-9	Work-related injuries	Employees Care
403-10	Work-related ill health	Employees Care
<b>GRI 404: Training and Education 2016</b>		
404-1	Average hours of training per year per employee	Talent Development
404-2	Programs for upgrading employee skills and transition assistance programs	Talent Development
<b>GRI 405: Diversity and Equal Opportunity 2016</b>		
405-1	Diversity of governance bodies and employees	Promote Diversity and Equality
<b>GRI 406: Anti-Discrimination 2016</b>		
406-1	Incidents of discrimination and corrective actions taken	Promote Diversity and Equality
<b>GRI 408: Child Labor 2016</b>		
408-1	Operations and suppliers at significant risk for incidents of child labor	Promote Diversity and Equality
<b>GRI 409: Forced or Compulsory Labor 2016</b>		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Promote Diversity and Equality
<b>GRI 414: Supplier Social Assessment 2016</b>		
414-1	New suppliers that were screened using social criteria	Strengthen Supply Chain Management
<b>GRI 418: Customer Privacy 2016</b>		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Digital Shipping Transformation

# Performance Summary

Environment			
Issue	Indicator	Unit	2022
Energy consumption	Gasoline	kWh	1,431,532
	Diesel	kWh	288,077,799
	Low sulfur fuel oil	kWh	2,989,788,959
	Lube oil	kWh	27,153,755
	Total direct energy consumption	kWh	3,306,452,045
	Electricity	kWh	1,614,100
	Indirect energy consumption intensity	kWh	1,614,100
	Total energy consumption	kWh	3,308,066,145
	Total energy intensity	kWh/(1 million Chinese Yuan)	232,816
GHG emissions	Scope 1 GHG emissions	Tonne of CO <sub>2</sub> equivalent	885,730
	Scope 2 GHG emissions	Tonne of CO <sub>2</sub> equivalent	579
	Total GHG emissions	Tonne of CO <sub>2</sub> equivalent	886,309
	GHG emissions intensity	Tonne of CO <sub>2</sub> equivalent/ (1 million Chinese Yuan)	62.38
Water resources	Total water consumption	Tonne	74,958
	Water consumption intensity	Tonne/(1 million Chinese Yuan)	5.28
	Freshwater consumption	Tonne	74,958
	Total water recycling and reuse	Tonne	120
	Water cycle and reuse rate	%	0.16
Wastewater	Total wastewater discharge	Tonne	16,414
	Wastewater discharge intensity	Tonne/(1 million Chinese Yuan)	1.16
Waste gas	Nitrogen oxides	Tonne	17,678
	SO <sub>x</sub>	Tonne	2,467
	Particulate matter	Tonne	422
	Total waste gas emissions	Tonne	20,567
	Exhaust emission intensity	Tonne/(1 million Chinese Yuan)	1.45
Wastes	Total amount of hazardous waste	Tonne	1,359
	Intensity of hazardous waste	Tonne/(1 million Chinese Yuan)	0.10
	Total amount of harmless waste	Tonne	706
	Intensity of harmless waste	Tonne/(1 million Chinese Yuan)	0.05
Consumables	Amount of paper used	Tonne	12
Investment in environmental protection	Total investment in environmental protection	Ten thousand Chinese Yuan	2,611
	Proportion of total investment in environmental protection to operating income	%	0.18

Society			
Issue	Indicator	Unit	2022
Number of employees			
Total number of employees	Number of employees	Person	1,455
By type of employment	Permanent employees	Person	1,455
	Dispatched labor	Person	-
	Part-time employee	Person	-
By gender	Male	Person	1,061
	Female	Person	394
By rank	Top-level management	Person	50
	Mid-level management	Person	128
	Rank & file	Person	1,277

By age	30 and below	Person	781
	31-50	Person	616
	50 and above	Person	58
By region	Chinese mainland	Person	1,455
	Hong Kong, Macao and Taiwan	Person	-
	Overseas	Person	-
Employee Turnover Rate			
Overall turnover rate	Turnover rate	%	13.61
By gender	Male	%	11.45
	Female	%	19.45
By age	30 and below	%	14.45
	31-50	%	9.42
	50 and above	%	6.76
By region	Chinese mainland	%	13.61
	Hong Kong, Macao and Taiwan	%	-
	Overseas	%	-
Occupational Health and Safety			
Death	Number of work-related deaths	Person	-
Work-related injuries	Number of work-related deaths per million Chinese Yuan	Person/(1 million Chinese Yuan)	-
	Days of work lost due to occupational injuries	Day	12
	Days of work lost due to occupational injuries per million Chinese Yuan	Day/(1 million Chinese Yuan)	0.0008
	Injury rate	%	0.07
	Number of work-related injuries	Person	1
	Number of work-related accidents	No.	1
Number of safety trainees	Number of trainees participating in safety training	Person	49
Total hours of employees participating in safety production training	Total hours of employees participating in safety production training	Hour	1,176
Number of safety drills	Number of safety drills	No.	5
Development and Training			
Total number of trainees	Total training person-times	Person	18,545
Total number of trainees	Total number of people trained	Person	1,630
Investment in employee training	Total investment in employee training	Ten thousand Chinese Yuan	268
	Employee training investment per million Chinese Yuan	Ten thousand Chinese Yuan	0.02
	Average employee training and development investment	Ten thousand Chinese Yuan/person	0.18
Employee training coverage	Total coverage	%	100
Number of trainees by gender	Male	Person	1,165
	Female	Person	465
Percentage of training by gender	Male	%	71.47
	Female	%	28.53
Number of trainees by rank	Top-level management	Person	56
	Mid-level management	Person	119
	Rank & file	Person	1,455
Percentage of training by rank	Top-level management	%	3.44
	Mid-level management	%	7.30
	Rank & file	%	89.26
Average number of hours of training per employee	Average number of hours of training per employee	Hour	40.28
Total training hours of employees	Male	Hour	46,600
	Female	Hour	19,056
	Top-level management	Hour	2,576
	Mid-level management	Hour	5,355
	Rank & file	Hour	57,725

Average number of hours of training by gender	Male	Hour	40.00
	Female	Hour	40.98
Average number of hours of training by rank	Top-level management	Hour	46.00
	Mid-level management	Hour	45.00
	Rank & file	Hour	39.67
<b>Compensation and Revenue</b>			
Compensation and revenue	Salary per capita	Ten thousand Chinese Yuan	24.48
	Income per capita	Ten thousand Chinese Yuan	976.56
<b>Supply Chain</b>			
Total number of Suppliers	Total number of suppliers	No.	3,880
By region	Chinese mainland	No.	3,789
	Hong Kong, Macao and Taiwan regions	No.	26
	Overseas	No.	65
<b>Products and Services</b>			
Recall	Number of incidents recalled for safety and health reasons	No.	-
Complaint	Number of complaints received about products and services	No.	146
	Handling rate of complaints received about products and services	%	100
	Number of customer complaints per million Chinese Yuan	No. /(1 million Chinese Yuan)	0.01
	Customer satisfaction	%	95
<b>Intellectual Property</b>			
Patent	Number of patent applications	No.	146
Trademark	Number of trademarks held	No.	3
Copyright	Software copyright	No.	12
	Number of software titles per million Chinese Yuan	No. /(1 million Chinese Yuan)	0.0008
<b>R&amp;D and Innovation</b>			
Research and development	Number of R&D employees	Person	59
	R&D staff ratio	%	4
	R&D investment	Ten thousand Chinese Yuan	1,897
	R&D investment as a percentage of revenue	%	0.13
<b>Community Charity</b>			
Public welfare	Donations outside the community	Chinese Yuan	1,000,000
	Investment in community activities for public good	Chinese Yuan	7,025
	Community public welfare investment per million Chinese Yuan	Yuan/(1 million Chinese Yuan)	0.49
	Employee volunteer hours	Hour	86,400
	Employee volunteer hours per employee	Hour	59
	Social contribution per share	Chinese Yuan	3.94

<b>Governance</b>				
Issue	Indicator	Unit	2022	
Directors, supervisors and Top-level management	Average tenure of board members	Year	5.89	
	Turnover rate of directors and supervisors	%	-	
	Proportion of independent directors	%	33.33	
	Standard board members' age	Year	9.31	
	Proportion of female directors	%	11.11	
	Number of board meetings	No.	9	
	Attendance of board members	%	100	
	Number of directors attending less than 75% of meetings	%	-	
	Number of Audit Committee meetings	No.	6	
	Strategy Development meetings	No.	3	
	Number of Compensation and Appraisal Committee meetings	No.	1	
	Number of Nomination Committee Meetings	No.	1	
	Equity and shareholders	Amount of products sold to related parties	Ten thousand Chinese Yuan	6,994.96
Scale of products sold to related parties per million Chinese Yuan		Ten thousand Chinese Yuan	0.49	
Amount of products purchased from related parties		Ten thousand Chinese Yuan	84,933.27	
Procurement scale of products from related parties per million Chinese Yuan		Ten thousand Chinese Yuan	5.98	
Provision of balance of funds to related parties		Ten thousand Chinese Yuan	-	
Amount of funds provided to related parties per million of revenue		Ten thousand Chinese Yuan	-	
The scale of funds provided by related parties to listed companies		Ten thousand Chinese Yuan	-	
The scale of funds provided by related parties to listed companies per million of revenue		Ten thousand Chinese Yuan	-	
The total shareholding ratio of the top ten shareholders		%	76.13	
Executive shareholding ratio		%	-	
Stock pledge Ratio		%	0.26	
Number of trainees participating in compliance (anti-corruption) training		Top-level management	Person	56
		Mid-level management	Person	119
	Rank & file	Person	1,455	
Percentage of employees who participated in compliance (anti-corruption) training	Top-level management	%	3.44	
	Mid-level management	%	7.30	
	Rank & file	%	89.26	

# Report Evaluation and Suggestions



## Dear readers:

Thank you for reading the 2022 Environmental, Social and Governance Report of Zhonggu Logistics. To further improve the quality of the Report, please fill in your feedback and submit it to us. We solemnly promise to keep your personal information strictly confidential.

You can provide your feedback by contacting:

\* Name: \_\_\_\_\_ \* Email: \_\_\_\_\_

\* Which stakeholder do you belong to?

- Government and supervisory authority  Shareholders and investors  Employees  Customer  
 Contractor / Supplier  Community / Environmental representative  Other \_\_\_\_\_

Your feedback:

\* Your overall evaluation of the Report:

- Very good  Good  General  Poor

\* Your feedback on the environmental responsibility performance of Zhonggu Logistics disclosed in the Report:

- Very good  Good  General  Poor

\* Your feedback on the social responsibility performance of Zhonggu Logistics disclosed in the Report:

- Very good  Good  General  Poor

\* Your feedback on the governance responsibility performance of Zhonggu Logistics disclosed in the Report:

- Very good  Good  General  Poor

\* Did you get the information you want to know from the Report:

- Yes  No

\* Do you think the content arrangement and format design of the Report facilitate reading:

- Yes  No

\* What information do you think you need to know that is not reflected in the Report?

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\* What are your opinions and suggestions on the ESG work of Zhonggu Logistics?

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\* What other information do you want to know from the ESG report of Zhonggu Logistics?

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*Change the logistics pattern  
in China by containers*



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