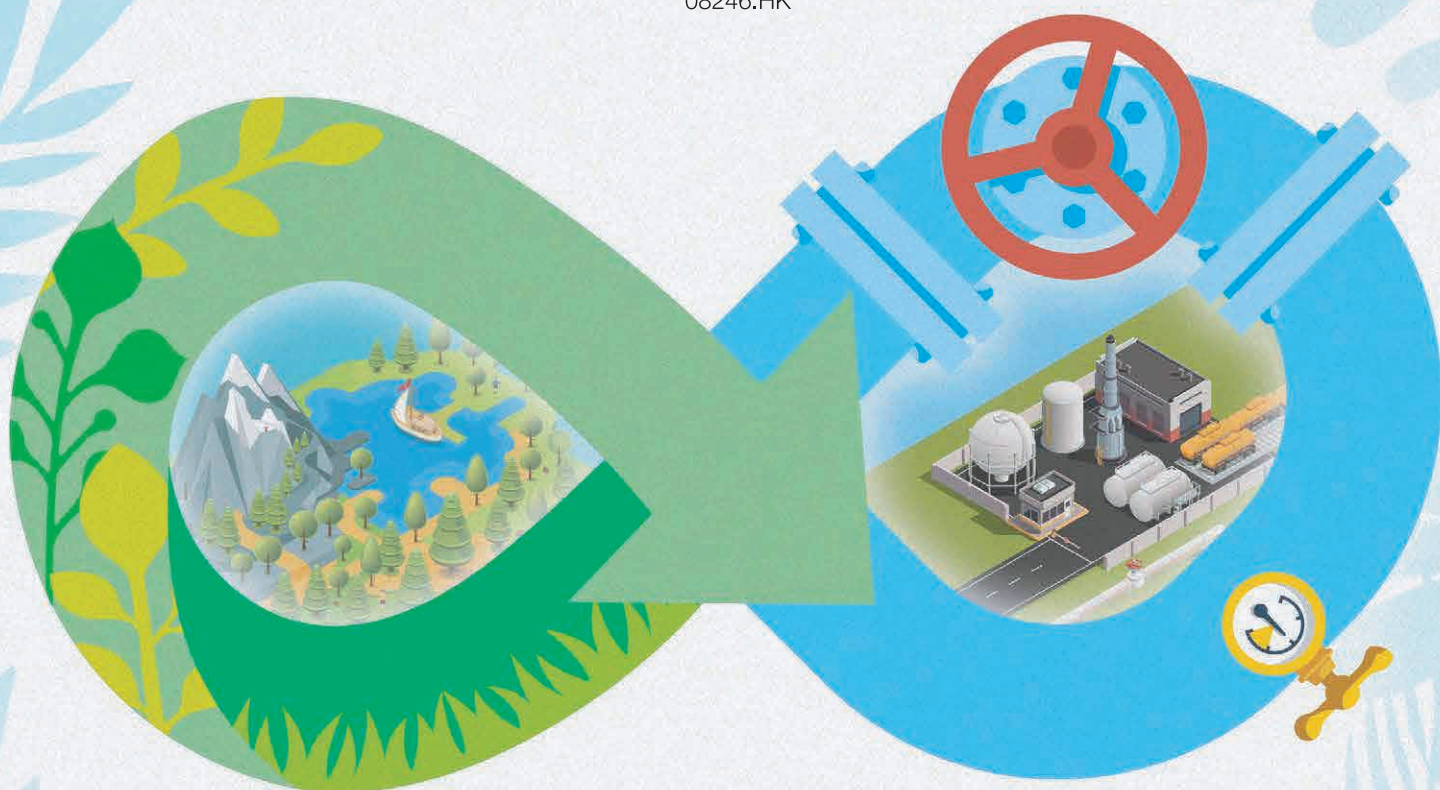




**Zhonghua Gas Holdings Limited**

**中華燃氣控股有限公司**

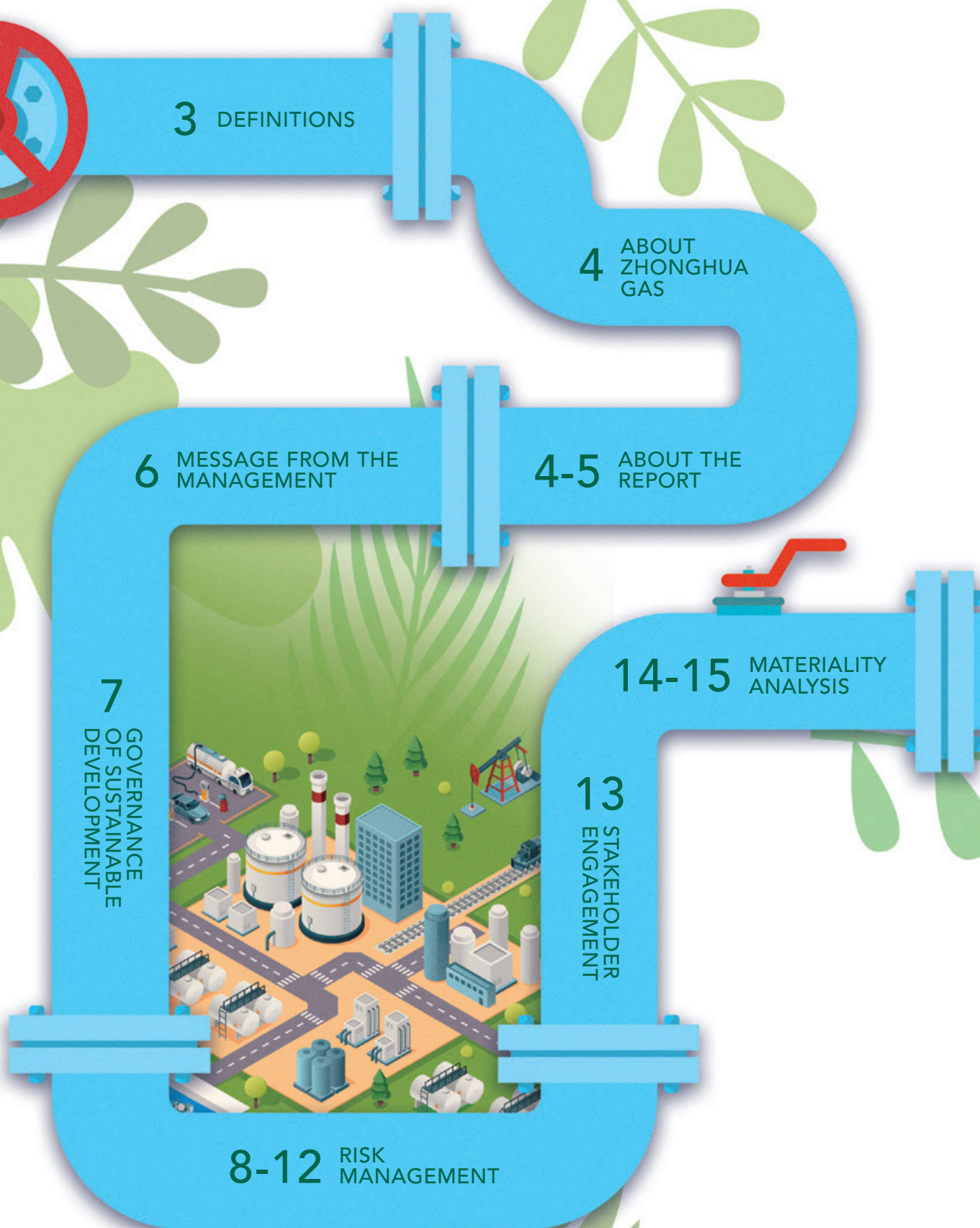
(Incorporated in the Cayman Islands with limited liability)  
08246.HK



**2020**  
**Environmental, Social and**  
**Governance Report**



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## DEFINITIONS

"Company"	Zhonghua Gas Holdings Limited (中華燃氣控股有限公司) (stock code: 8246), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on GEM;
"subsidiary(ies)"	a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance) of the Company;
"Group"	the Company and its subsidiaries;
"Reporting Period"	1 January 2020 to 31 December 2020;
"Year"	within the financial year;
"Report"	the fifth Environmental, Social And Governance Report published by the Group;
"ESG"	environmental, social and governance;
"Board"	the board of Directors or a duly authorised committee thereof;
"Director(s)"	the director(s) of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"GEM"	The GEM of the Stock Exchange;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"PRC" or "China"	the People's Republic of China, which for the purpose of this Report shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
"Guide"	Environmental, Social and Governance Reporting Guide in Appendix 20 to the GEM Listing Rules and Guidance of The Stock Exchange of Hong Kong Limited;
"COVID-19"	coronavirus disease;
"%"	per cent.



## ABOUT ZHONGHUA GAS

Zhonghua Gas Holdings Limited (the “Company”, together with its subsidiaries, collectively known as “Zhonghua Gas” or the “Group”, or “we”, or “us”) is an investment holding company listed on GEM of the Hong Kong Stock Exchange in 2011. The subsidiaries of the Company are principally engaged in new energy services (“New Energy Business”) and leasing of investment properties (“Property Investment”), in which New Energy Business accounted for 99.8% of the Group’s total revenues. The Group provides diverse integrated new energy services including technological development, construction related and consultancy services in relation to heat supply and coal-to-natural gas conversion, supply of liquefied natural gas (“LNG”), coupled with trading of new energy related industrial products. The Group’s revenue are mainly derived from supply of LNG.

During the Year, the Group continued to maintain strong relationships with leading players in the technology and infrastructure related business sectors. The Group cooperated with Shanghai

Jiulian Group, a wholly owned subsidiary of the Shanghai Shenergy Group. Both parties enhanced their cooperation to secure the supply of LNG resources and develop the business into the high potential market in the Yangtze River Delta region. Meanwhile, the Group continued to maintain sound business relationships with Tractebel Engineering S.A. from France and Tianjin Jinre Heat Supply Group Co. Ltd.

In the future, the Group will adjust its strategic plans accordingly in response to the changing market environment and adopt multi-pronged strategies to manage risks. By establishing new joint ventures to strengthen LNG supply and to identify suitable new markets, the New Energy Business will be expanded to other potential regions in the PRC. For the Property Investment business, the Group will continue to look for investment opportunities in high yield properties while maintaining the ownership of all existing office premises to bring stable and long-term returns to the shareholders.

## ABOUT THE REPORT

This Report is the fifth Environmental, Social and Governance (“ESG”) Report issued by the Group, which contains the policies, measures and performance of the Group in respect of ESG to allow better understanding of each stakeholder on the sustainability and development directions of the Group. This Report is prepared in both English and Chinese and has been uploaded to the websites of the Stock Exchange and the Company ([www.8246hk.com](http://www.8246hk.com)). In case of contradictions or inconsistencies between the English and the Chinese versions, the Chinese version shall prevail.

The Group believes that stakeholders’ opinion and suggestions can help us to more carefully develop our sustainability strategy in the future.

The Group would like to invite you to contact the Group via email ([info@8246hk.com](mailto:info@8246hk.com)) for any questions or suggestions regarding this Report.

### SCOPE OF REPORT

This Report covers the performance of the Group from 1 January 2020 to 31 December 2020 (the “Reporting Period”) and covers the operations of the New Energy Business, which is the Group’s main source of revenues, during the financial year (the “Year”). Same as last year, the Report of the Year covers the New Energy Business in Tianjin.

### DATA PREPARATION

The Group has established internal control and inspection procedures to ensure that the information in this Report is accurate and reliable to a certain extent. The Group confirms that all information contained in this Report is sourced from the Group’s official documents, statistical data and other management and operational information. This Report has been reviewed and approved by the Board on 30 April 2021.



## ABOUT THE REPORT

### REPORTING PRINCIPLES

The Report was prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "Guide") in Appendix 20 to the GEM Listing Rules and Guidance of The Stock Exchange of Hong Kong Limited. In order to provide stakeholders with a comprehensive understanding of the Group's ESG performance, the Report not only discloses environmental key performance indicators in accordance with the "comply or explain" provisions, but also reports certain social key performance indicators in the "recommended disclosures" of the Guide. During the course of preparation, the Group prepared this Report based on four reporting principles: Materiality, Quantitative, Balance and Consistency. For details, please refer to the table below.

Reporting principles	Response of the Group
Materiality	During the Year, in order to assess the materiality of the issues in a more comprehensive manner, the Group collected stakeholders' opinion by questionnaire survey and conducted a materiality assessment. This is to identify the environmental and social issues that are material to the Group and to focus on this Report. The impact of each ESG issue on the Group and various stakeholders will be expressed in this Report in the form of a materiality matrix.
Quantitative	The Group records environmental and social data in a quantitative way and commissioned a third-party consulting company for verification. The Group has commissioned the sustainability consultant to refer to the guidelines issued by the National Development and Reform Commission of the People's Republic of China and ISO 14064-1, when calculating the Key Performance Indicators (KPIs).
Balance	The Report discloses information in an objective manner, which reflects the Group's overall performance in an unbiased manner and assists report readers in making decisions or judgment.
Consistency	The Group uses consistent statistical methodologies to allow for meaningful comparisons of ESG data over time. If the methods used and the scope of reporting change, we will explain in the footnotes for stakeholders' reference.



## MESSAGE FROM THE MANAGEMENT

2020 was a challenging year with global efforts to combat the coronavirus disease ("COVID-19"). The outbreak of COVID-19 is not only a threat to all industries, but also an adverse impact on global economic development. In view of the uncertainty of the development of the COVID-19 pandemic, the Group remains cautious and will continue to look at the future impact on its business operations. The Group will actively respond to the challenges, in the hope of turning challenges into opportunities, closely monitor the development of COVID-19 and market conditions, and implement any timely measures when necessary to minimise potential business risks. The Group closely monitors the body temperature and health of employees during the pandemic and provides cleaning and disinfecting supplies to create a working environment where employees can work safely.

Under uncertainties, sustainability considerations become more important, and the Board and the Company expect to continue achieving the goal of sustainable development.

To this end, during the Year, Zhonghua Gas cooperated with the sustainability consultant to explore more possibilities in the field of sustainable development and strive to reduce ESG-related risks.

The Group will also continue to communicate with different stakeholders, work together to overcome headwinds and understand their expectations and needs, identify their environmental and social risks as early as possible, and formulate and implement risk mitigation measures.

Finally, the Board would like to express its sincere gratitude to all staff for their contributions during the year. We would also like to take this opportunity to express our sincere gratitude to our business partners, customers and investors for their trust and support. The Group will continue to focus on its core business to deliver good results.

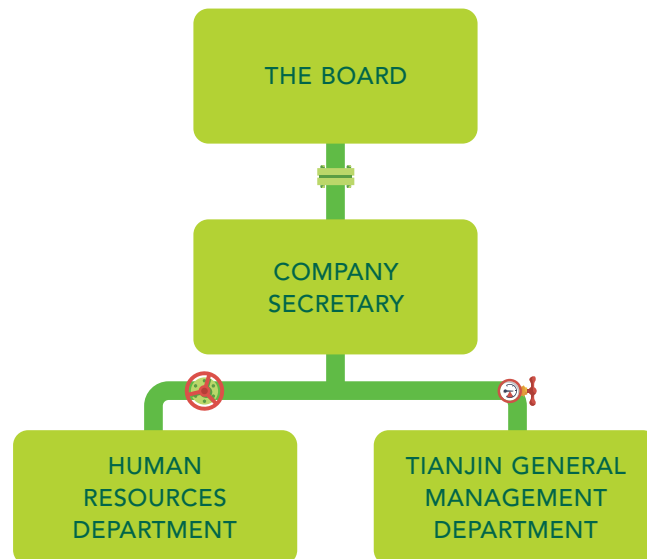
The Board of Zhonghua Gas Holdings Limited



## GOVERNANCE OF SUSTAINABLE DEVELOPMENT

The Group attaches great importance to environmental, social and governance. The Board leads the ESG team and is responsible for monitoring the policies, measures and effectiveness of sustainable development related issues. The Group believes that only a high standard of corporate governance can lead us to achieve sustainable development through implementing goals and measures. The Board of the Group plays a supervisory role and holds meetings from time to time to discuss ESG issues and identify ESG issues that have an impact on the Group. In addition, the Board has been actively discussing ESG risks and opportunities with the ESG team, and the ESG team subsequently put forward recommendations on strategies for improvement, and will also report to the Board on the latest ESG issues and assist the Board in making decisions to promote the sustainable development of the Group.

### ESG WORKING TEAM STRUCTURE







## RISK MANAGEMENT

The Group's major risks and the changes thereof are set out as follows:

Risk	Description	Internal control measures	Changes
Market competition	<p>With the continuous development of coal-to-gas conversion related projects and the unchanged total resident population in Beijing-Tianjin region, the local market tends to be saturated, which affects the business development of the Group.</p> <p>With the operation of China-Russia natural gas pipeline in December 2018, it is expected to provide 38 billion cubic meters of natural gas resources each year to the Chinese market. The further expansion of market supply has declined the price of natural gas.</p>	<ul style="list-style-type: none"> <li>The Group explores opportunities to expand the New Energy Business to other northern regions and Yangtze River Delta in order to seek business growth and mitigate risks</li> <li>The Company keeps abreast of market trends and works closely with upstream gas sources, and makes use of the changes in LNG prices in different seasons to reduce the economic impact arising from the rise in supply</li> </ul>	Increase
Government policy changes	If the government announces any change on the policies regarding "coal to gas", the number of projects that available to the Group may be affected.	<ul style="list-style-type: none"> <li>The management will keep abreast of any change on the relevant policies so as to adjust business strategies of the Group on a timely manner</li> <li>To expand types of service to be provided by the Group in order to diversify risk</li> <li>Improve sales structure analysis in advance, strengthen the continuous optimization of customer structure, and enhance LNG sales</li> </ul>	No change



## RISK MANAGEMENT

Risk	Description	Internal control measures	Changes
COVID-19 pandemic	<p>The outbreak of the COVID-19 at the beginning of 2020 has led to the slowdown of Chinese and global economic growth, together with the subsequent quarantine measures as well as the travel restrictions imposed by many countries, hindered the negotiation and completion of new construction related and consultancy services projects, and also resulted in the decrease in demand of LNG supply, which may have a negative impact on the Group's business.</p> <p>The COVID-19 pandemic may also expose the employees of the Group to health risk, and affect the normal operation of offices, which may result in losses. The pandemic may also affect the originally scheduled normal business, customer meetings, contract negotiations, etc.</p>	<ul style="list-style-type: none"> <li>• The management keeps abreast of relevant news, information and policy developments, and adjusts the Group's business arrangements, pandemic prevention measures and work arrangements in a timely manner</li> <li>• Arrange telephone conferences or video conferences for some audit activities, client meetings, contract negotiations, etc. as and when appropriate</li> <li>• Strengthen office cleanliness, formulate pandemic prevention measures, flexibly arrange employees' working hours and work at home, and temporarily close certain domestic offices</li> </ul>	New/ Increase



## RISK MANAGEMENT

Risk	Description	Internal control measures	Changes
Health and safety	<p>The Company's operations involve LNG. Improper operation may cause safety accidents as well as serious damages or injuries to properties or personnel.</p>	<ul style="list-style-type: none"> <li>• The Company's operations and on-site operation strictly comply with national regulations on hazardous chemicals and the relevant operational practices of the Group</li> <li>• Strengthen the maintenance and management of equipment and facilities, enhance the management level of equipment, and ensure integrity rate of equipment. Employ qualified professionals and improve safety awareness among employees through trainings</li> <li>• Timely warning of abnormal conditions through the self-control monitoring system to ensure a 100% monitoring rate of important production operations</li> <li>• Compile the Emergency Plan, and continuously improve the team's business capabilities at all levels, such as dispatching operations, on-site operations, line patrol, repair and maintenance</li> </ul>	No change
Environmental protection	<p>For the main business, if the Company fails to comply with the regulations and policies issued by China's local environmental protection bureau and other regulatory agencies, it may cause the environmental protection bureau to shut down relevant illegal business until the completion of rectification, and to impose administrative penalties.</p> <p>The Company is required to pay the corresponding taxes based on its taxable pollutants, waste and noise. If the Company does not have corresponding energy conservation and emission reduction measures, the Company may be subject to a high environmental protection tax.</p>	<ul style="list-style-type: none"> <li>• The Company complies with the regulations and policies of local regulatory agencies and conducts internal inspections from time to time to reduce the possibility of violating laws and regulations</li> <li>• Establish environmental protection practices on a project-by-project basis, which are organized by the management and complied by all employees; and establish environmental key performance indicators for each project, which are achieved by those involved in the project</li> </ul>	No change





## RISK MANAGEMENT

Risk	Description	Internal control measures	Changes
Supply chain	<p>In case the suppliers or contractors fail to complete their work or provide products or services with good quality, the customers' satisfactions towards the Group may be dampened or it may cause us extra cost to complete the relevant works.</p> <p>In winter, insufficient natural gas supply due to the surge in demand may affect the provision of services such as coal to gas, gas supply and heating.</p> <p>Weak supervision of sub-suppliers may cause it to affect the Company's direct suppliers and affect the Company's business.</p>	<ul style="list-style-type: none"> <li>• When choosing suppliers and contractors, stringent assessment will be conducted</li> <li>• Terms of outsourcing contracts will be reviewed by project managers and internal or external legal professional to ensure clear define responsibilities of each party</li> <li>• Person in charge of the project will conduct on-site inspection to examine the quality and performance of suppliers and contractors in order to ensure that their products and services are up to the standards of the Group</li> <li>• Look for a number of stable LNG suppliers to avoid monopolizing the supply chain of the Company</li> <li>• Make reasonable predictions on future sales volume, prepare LNG reserve in advance according to expected sales volume, and prepare the reserve in low- price season to cope with sudden price and supply fluctuations</li> <li>• Stabilize supply chain volume and price by, among others, seeking temporary solutions for supply chain and seeking to sign a supply agreement</li> <li>• Cooperate with the Company's direct suppliers and effectively supervise sub-suppliers to reduce the impact of sub-suppliers on the business</li> </ul>	Increase
Human resources	<p>If the Group fails to recruit sufficient key professionals, such as management experts, project engineers, chief, etc., the normal operations or quality or the development of the Group may be affected.</p>	<ul style="list-style-type: none"> <li>• Maintain a healthy and positive working environment</li> <li>• Regular review on employee benefits</li> <li>• Conduct manpower planning to replenish sufficient staff as soon as possible</li> </ul>	Decrease



## RISK MANAGEMENT

Risk	Description	Internal control measures	Changes
Exchange rate	The Group has assets and liabilities denominated in Hong Kong dollar and RMB, any fluctuation in the exchange rate may therefore cause loss from currency exchange to the Company.	<ul style="list-style-type: none"> <li>• Risk of exchange rate will be monitored on a regular basis and relevant response measures will be formulated</li> <li>• Sensitive analysis will be conducted to quantify the risk regularly</li> </ul>	No change
Credit risk	The Group has concentrated credit risk as the trade receivables for New Energy Business consist of a few number of major customers in the PRC.	<ul style="list-style-type: none"> <li>• In order to minimise the credit risk of trade receivables, the management of the Group has a designated team responsible for determining credit limit, credit approval and other monitoring procedures to ensure follow up action to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that sufficient provision for impairment losses are made for the irrecoverable amount of trade receivables. The Group applies simplified method to make provisions for expected credit losses under IFRS 9. In this regard, the management of the Group believes that the credit risk on trade receivables has been significantly reduced</li> </ul>	Increase



## STAKEHOLDER ENGAGEMENT

The Group maintains continuous and dynamic communication with stakeholders and constantly communicates with our internal and external key stakeholders through different channels including interviews, regular exchange meetings, direct mails and hotlines. Through continuous communication and feedback, the Group is able to formulate policies and measures to respond to stakeholders' needs more effectively and contribute to our sustainable development. The Group's stakeholders include groups and individuals who have a significant impact on our business or may be affected by the business, including but not limited to employees, customers, investors, suppliers, government departments and others. During the Year, the Group also collected stakeholders' opinions on ESG issues of the business through questionnaires and conducted materiality assessment.

The main communication channels of the Group with stakeholders are detailed as follows:

Stakeholder category	Communication channels
Employee	<ul style="list-style-type: none"> <li>• Internal meeting</li> <li>• Training program</li> <li>• Intranet and email</li> <li>• Performance appraisal</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Company website and publications</li> <li>• Announcements</li> <li>• Email and customer service hotline</li> </ul>
Investors	<ul style="list-style-type: none"> <li>• Periodic financial statements</li> <li>• General meeting</li> <li>• Announcements and circulars</li> <li>• Company website and publications</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Supplier site visits</li> <li>• Business conference</li> <li>• Supplier evaluation</li> </ul>
Government and regulatory departments	<ul style="list-style-type: none"> <li>• On-site inspections of operating locations</li> <li>• Daily reports and reports</li> <li>• Working meeting</li> </ul>
Community	<ul style="list-style-type: none"> <li>• Charity and public welfare activities</li> <li>• Volunteer service</li> <li>• Company website and publications</li> </ul>

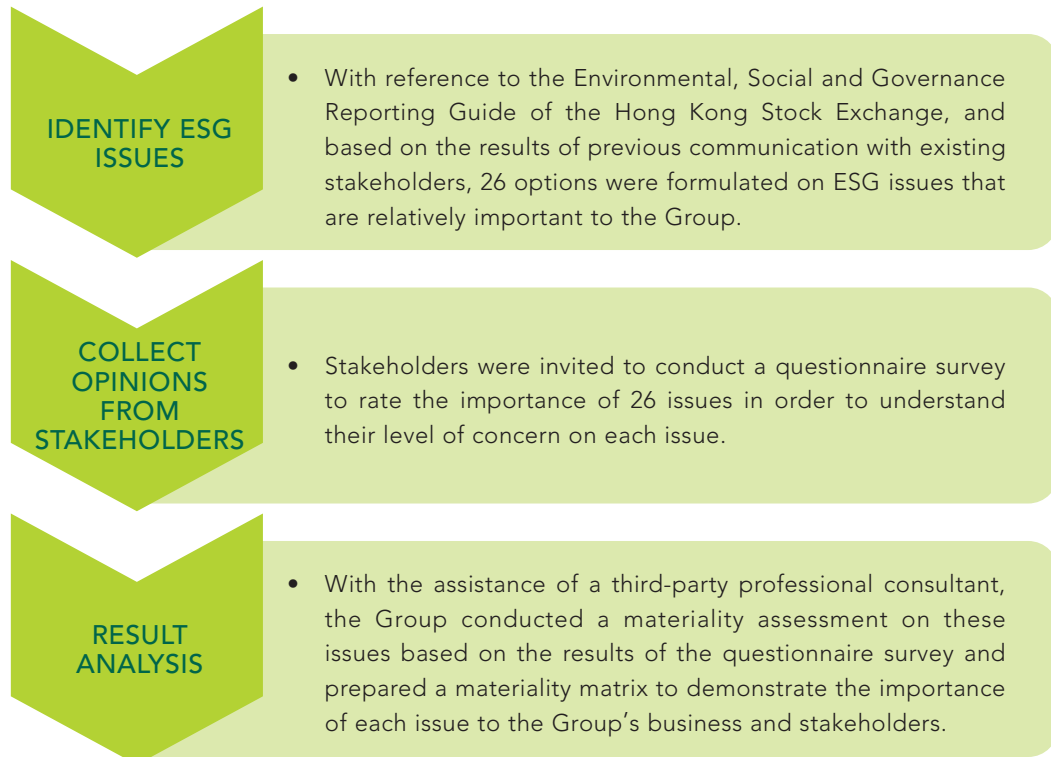




## MATERIALITY ANALYSIS

In order to ensure that the Report can accurately and objectively reflect the performance in the environmental, social and governance aspects during the Reporting Period, the Group conducted a comprehensive materiality assessment this year to identify the most important issues for each stakeholder.

The materiality assessment for the Year included the following steps:

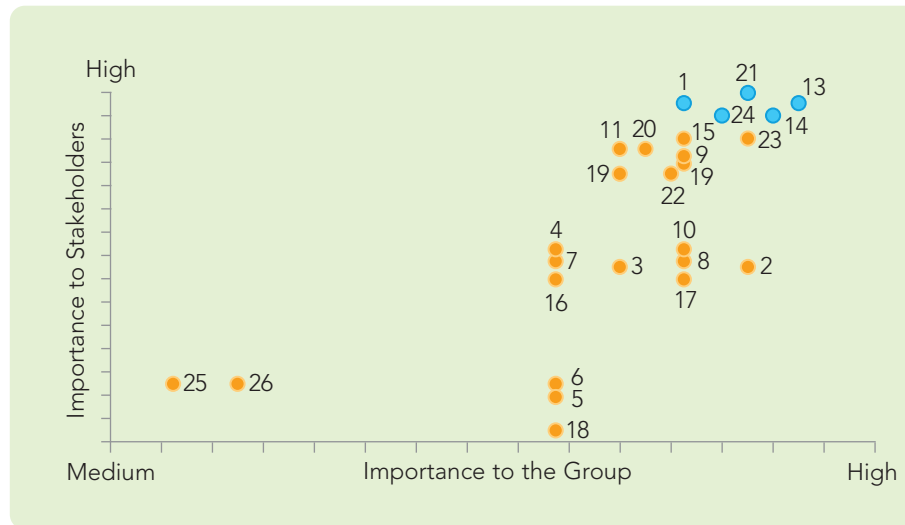


Based on the above steps, the independent consultant analysed the results of the stakeholder questionnaire survey and conducted a materiality assessment. The Group commissioned an independent consultant to conduct an interview with the management and collect opinions from the Group's stakeholders on 26 issues in the environmental and social aspects. According to the assessment results, the Group selected 5 issues as the key issues for reporting in the Year. They are product and service quality, product and service safety, occupational health and safety, greenhouse gas emissions and employee benefits.



## MATERIALITY ANALYSIS

The results of the analysis are shown in the materiality matrix below:



Environmental protection and green operation	Operation practice	Product and service responsibility	Working environment quality	Contribution to the society
1. Greenhouse gas emissions	9. Supply chain management	13. Product and service quality	19. Equal opportunities, diversity and anti-discrimination	25. Participate in or organize volunteer activities
2. Exhaust emissions	10. Evaluate the supplier's environmental and social performance	14. Product and service safety	20. Employment relationship	26. Charitable donation
3. Electricity and water conservation	11. Anti-fraud and corruption	15. Customer satisfaction	21. Occupational health and safety	
4. Effective use of resources	12. Crisis or emergency handling	16. Complaint handling	22. Training and development	
5. Hazardous waste disposal (such as waste batteries, waste lamps, etc.)		17. Customer privacy protection	23. Prevention of child labour and forced labour	
6. Non-hazardous waste disposal		18. Advertising and publicity	24. Employee benefits	
7. Green procurement (such as using environmentally friendly materials, etc.)				
8. Risks related to climate change				



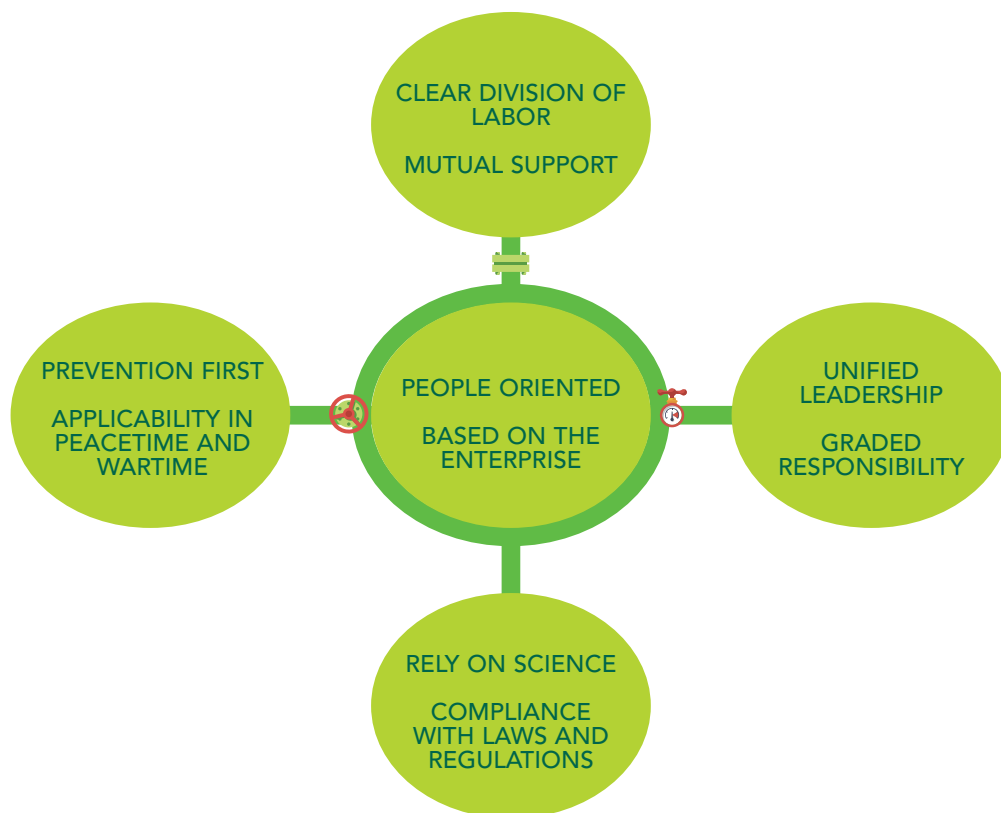
## ZHONGHUA GAS AND ITS STAFF

### OCCUPATIONAL HEALTH AND SAFETY "TOPIC 21"

Employee health and safety is one of the important issues of the Group. As the Group's business involves natural gas transportation, relevant safety management must be very prudent in order to avoid serious casualties and property damage accidents. The Group is committed to complying with relevant laws and regulations in its business operations, such as the Production Safety Law of the People's Republic of China, the Identification of Major Hazards of Hazardous Chemicals, and the Guidelines for the Preparation of Emergency Plans for Production Safety Accidents of Production and Operation Units. During the Year, there were no cases of non-compliance with relevant laws and regulations relating to occupational safety and health within the Group. There were no work-related fatalities and injuries during the Reporting Period.

The Group has set out the code to ensure the health and safety of employees in the ESG Regulations, which stipulates that a safe and healthy working environment shall be built to reduce the risk of work-related injuries and diseases. We adhere to the principle of "safety first and prevention first", and have designated a series of safety management systems based on this policy, including the Safety Production Management System of Station Area, the Safety Management System of LNG Station, the Fire Safety Management System of LNG Gasification Station, the Outgoing Management System and the Compliance with Responsibility System of Personnel, etc. The Group strictly implements the safety rules and earnestly implements the operating procedures.

We carry out emergency response in accordance with the "Five Principles":





## ZHONGHUA GAS AND ITS STAFF

While implementing the system, we hope to raise the safety awareness of our employees, so we will especially provide safety training for our technicians to ensure safe and stable gas supply. The followings are the key management measures of the Group for gas stations:



### Occupational safety and health and fire safety

- Air purifiers are installed in offices to improve air quality;
- Setting up safety operation specifications as well as equipment operation and maintenance management at LNG Office and LNG station;
- Equipped with appropriate fire-fighting equipment in accordance with the relevant fire-fighting requirements;
- 1-2 fire drills are conducted every year to enhance employees' awareness of fire safety; and
- Safety trainings are provided to technicians, such as fire water cannon, operation of unloading from vehicles, basic safety codes, etc.



### Emergency plan

- An emergency team is set up to handle emergency incidents;
- The emergency plan details the basic procedures for command, organization, coordination, communication and liaison, reporting to the police in response to sudden production safety accidents;
- Handling plans are formulated for all types of safety accidents, such as fire and explosion, electric shock, container explosion, low temperature and frozen injuries, and are regularly drilled; and
- The drill progress and implementation of handling procedures will be recorded, and a summary and assessment will be conducted after completion for timely improvement.



### Gas Station Safety Equipment

- Spring switch valve systems are installed in storage tanks, gas purifiers, self-pressurisation units and other equipment. When a pipeline is damaged, the switch valve system can automatically detect the air pressure change in the pipeline and report to the gas station staff for emergency repair in a timely manner through the alarm system;
- Arrange employees and inspection firms to inspect gas station equipment regularly; and
- During the heating period (around November to March), staff at the gas station are on duty to monitor the operation of the gas station on a 24-hour basis.



### Pandemic prevention measures

- The Group strictly complies with the national guidelines for pandemic prevention and control, such as the guidelines for pandemic prevention of the Chinese Center for Disease Control and Prevention, the Guidelines for Prevention and Control of Pandemic for Resumption of Work and Production of Enterprises and Institutions and the Technical Guidelines for the Selection and Use of Masks for Preventing New Coronavirus Infection in Different Populations issued by the State Council;
- Visiting the Tianjin Science and Technology Museum, conducting training on pandemic prevention and control; and
- Employees are required to implement a rotation system, flexible commuting and lunch hours, and the Group provides cleaning and disinfectant supplies to reduce the chance of cross-infection between employees.



### Medical benefits

- Provide medical insurance, such as hospitalization insurance, outpatient and dental benefits, and provide basic medical insurance for employees.

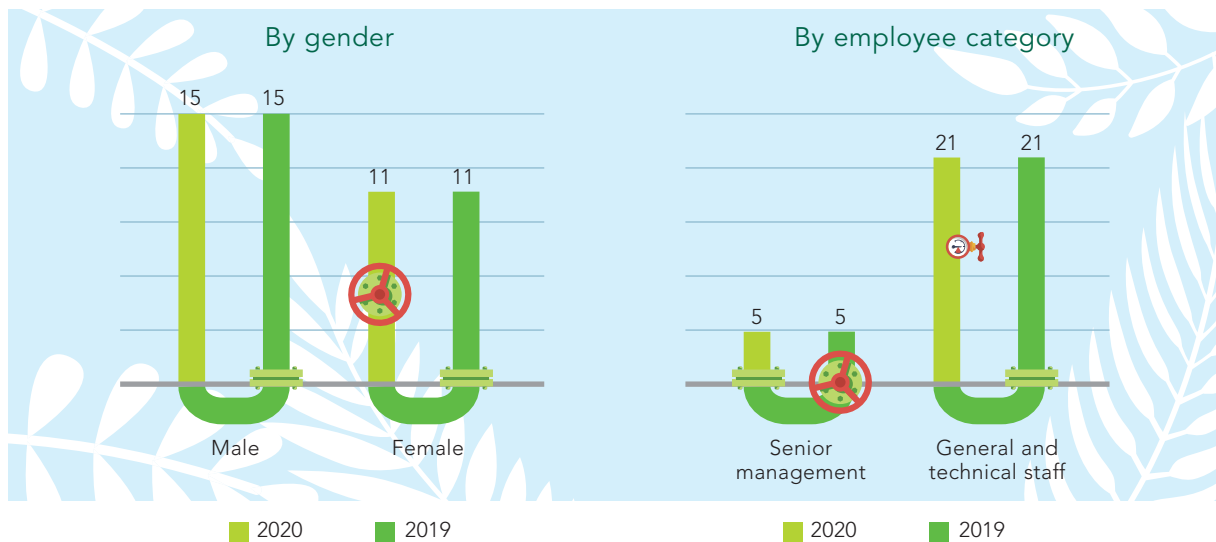


## ZHONGHUA GAS AND ITS STAFF

### EMPLOYMENT RELATIONSHIP "TOPIC 20"

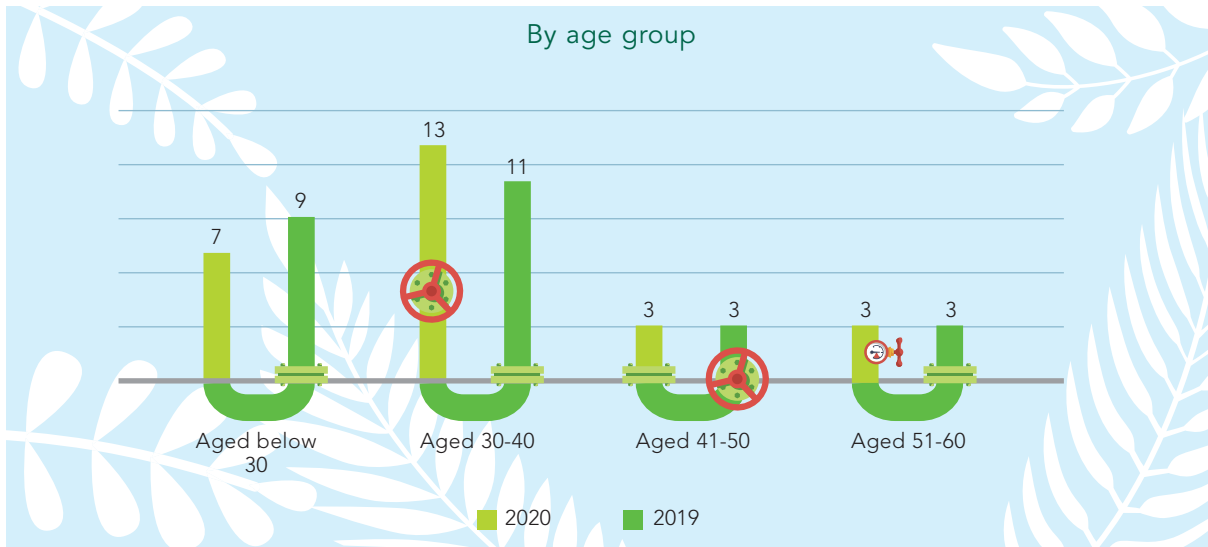
The Group firmly believes that employees are the cornerstone of the Group's success. We hope that by creating a harmonious and prosperous working environment, we can create a world where employees can freely unleash their potential, and grow with them. The major laws and regulations relating to employment of the Group include the Labour Law of the People's Republic of China and the Labour Contract Law of the People's Republic of China. During the Year, there were no cases of non-compliance with relevant laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, other benefits and welfare, and labour standards within the Group. Relevant employment terms are clearly set out in the ESG Regulations and the Employee Handbook to ensure employees understand their rights and responsibilities.

The following charts show the number of employees by gender, age and employee category for the Year and the previous year respectively. The total number of employees for the Year was 26. All employees are from the PRC.



## ZHONGHUA GAS AND ITS STAFF

The following chart sets forth the employee turnover rate by gender and age group:



Employee turnover rate	2020	2019
<b>By age</b>		
Aged under 30	14%	22%
Aged 30-40	0%	18%
Aged 41-50	0%	0%
Aged 51-60	0%	0%
Aged over 60	0%	0%
<b>By gender</b>		
Male	7%	13%
Female	0%	18%



## ZHONGHUA GAS AND ITS STAFF

### Salary and dismissal

The Group signs employment contracts with the employed staff, which specify the terms of employment, including salary, probationary period, and arrangements for termination of employment contracts, in order to protect staff rights.



### Recruitment

The Group employs staff according to the terms in the Employee Handbook. The maximum probationary period for all newly recruited employees is three months. Upon completion of the probationary period and successful evaluation, the employees would become permanent employees.

### Promotion

When promoting employees, the Group takes into account of their dedication, professional ability, work performance, team spirit, behaviour and conduct and cultural ethics.

### Prevention of child labour and forced labour "TOPIC 23"

The Group's stance on prohibiting the use of child labour is stipulated in the ESG Regulations. The Group will verify identity documents and other age proof of applicants during the recruitment process. Anyone who does not fulfil the requirement will not be hired. The Group also prohibits the employment of forced labour in any form to ensure that employees are employed on a voluntary basis.



### Employee benefits "TOPIC 24"

In order to enhance employees' sense of belonging and to retain talents, other benefits provided by the Group to permanent employees upon completion of the probationary period include medical insurance and basic pension insurance, pension and Mandatory Provident Fund Protection Scheme, etc.



### Diversity "TOPIC 19"

The Group has formulated the Board Diversity Policy which sets out the approach to diversity of the Board, and the Diversity Policy which sets out the approach to create a diversified working environment by recruiting employees from different age groups and backgrounds through multiple channels.



### Equal opportunity "TOPIC 19"

Employees of any gender are entitled to equal employment and promotion opportunities. The Group ensures that female employees are entitled to maternity leave, and also ensures that their leaves during pregnancy and lactation are protected.



### Anti-discrimination "TOPIC 19"

The Group accepts all employee's or applicant's race, color, age, gender, sexual orientation, gender identity and expression, ethnicity or nationality, disability, pregnancy, religious belief, political position, labour union participation, protection of genetic information or marriage status, which shall not affect their employment opportunities.



### Working hours and holidays

The Employee Handbook sets out the working days and overtime arrangements for employees. Employees are entitled to paid annual leave, marriage leave, compassionate leave and examination leave according to their rank.





## ZHONGHUA GAS AND ITS STAFF

### TRAINING AND DEVELOPMENT “TOPIC 22”

The Group wishes to promote a learning culture in the Company, so that all employees can continue to equip themselves and develop into full-capacity talents. Therefore, we invest in employees at different levels to enable them to develop sustainably at different stages of their career, while at the same time exploring potential employees.

We set out policies related to employee development and training in the ESG Regulations and Employee Handbook. We are committed to providing learning and training courses for employees. The Human Resources Department arranges induction training for new employees; department managers provide on-the-job training for their positions; while employees will receive appropriate on-the-job professional skill training. In addition, employees engaged in technical work and special work must receive training before taking up their posts. The Group also encourages employees to participate in external training. For example, we let our employees participate in the training of the trade union system organized by the trade union of the Free Trade Zone and the pandemic prevention training provided by the Tianjin Science and Technology Museum during the Year, so as to improve their work skills and pandemic prevention awareness.

The Group has a regular performance appraisal system in place to provide employees with outstanding performance with development and promotion opportunities based on the results of performance assessment, and allows employees to express their opinions through this system.

The following charts illustrate percentage of employees trained and average training hours by gender and employee category:

Percentage of employees trained	2020	2019
<b>By employee category</b>		
Senior management	40%	40%
General and technical staff	48%	29%
<b>By gender</b>		
Male	60%	40%
Female	27%	18%

Average training hours completed per employee	2020	2019
<b>By employee category</b>		
Senior management	4	10
General and technical staff	5	12
<b>By gender</b>		
Male	5	19
Female	4	1



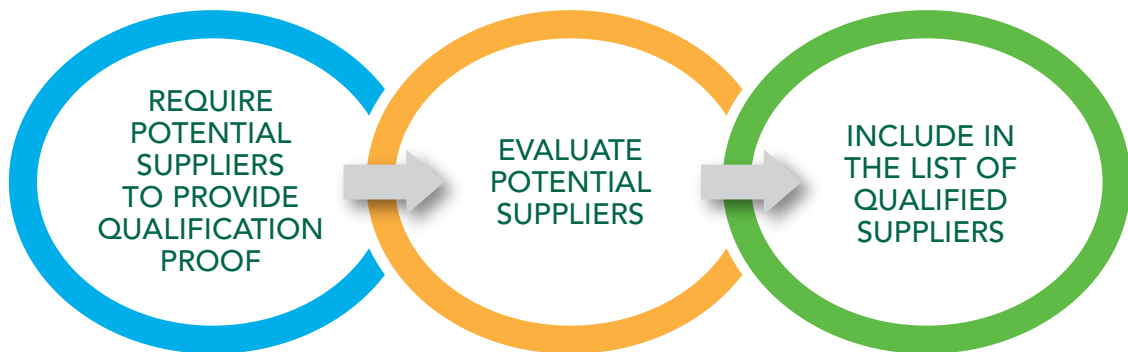
## ZHONGHUA GAS AND OPERATION

### SUPPLY CHAIN MANAGEMENT "TOPIC 9, 10"

The Group adheres to business integrity and abides by business ethics. When selecting suppliers, the Group will uphold the principle of impartiality to ensure that suppliers are evaluated in a fair, just and open manner. In addition, the Group expects suppliers to align with our philosophy of sustainable development and reduce the environmental impact brought by the supply chain. The Group has established a supply chain management system in the ESG Regulations, which sets out the process of managing new and existing suppliers and the environmental and social factors that need to be considered during the selection process. During the Reporting Period, the Group had 3 suppliers, all of which were from the PRC and had implemented practices.

#### New supplier screening

When selecting new suppliers, the Group requires potential suppliers to provide qualification proof for our internal assessment and analysis. During the process, if necessary, we will set up an investigation team and conduct on-site assessment and require general goods or raw material suppliers to obtain relevant international quality management system certifications. An investigation team, which is formed by the heads of various operational departments, will then be also arranged to evaluate the potential suppliers in areas such as operational services, quality systems, research and development capabilities, manufacturing, environmental management, labour rights and ethical integrity. Suppliers who have passed the assessment will be included in the Group's list of qualified suppliers. At the same time, the Group pays attention to the suppliers' environmental performance when selecting suppliers and requires suppliers to strive to integrate environmental responsibility into their operations.



## ZHONGHUA GAS AND OPERATION

### Reviewing Existing Suppliers

The Group will conduct quarterly performance evaluation or annual inspection on the suppliers in cooperation to ensure that the suppliers meet the requirements in terms of quality, delivery time and service, and regularly update the list of qualified suppliers based on the evaluation results. If the performance of suppliers are found to be unsatisfactory, the Group will give them feedback for improvement. The Group reserves the right to terminate the cooperation with suppliers who fail to comply with the ESG Regulations formulated by the Group or implement improvement measures according to the plan.

### Supplier Safety Management

The Group requires suppliers to conduct safety protection and supervisory management for high-risk operations in advance. The employees of suppliers are required to handle the supply in accordance with relevant safety management procedures at LNG Office, which includes proper management of chemicals, identifying job hazard, formulation of emergency measures and evacuation procedures, as well as providing employees with safety training.

## PRODUCT RESPONSIBILITY

### Ensure Stable Gas Supply “TOPIC 12, 13, 14”

The Group attaches great importance to stable gas supply, we have maintained good relationship with large suppliers to ensure stable LNG supply and reduce the risk of supply chain breakdown. In addition, we arrange gas station staff to station 24 hours during the heating period to monitor the operation of gas stations. Gas stations are equipped with switch valve system in different locations, which automatically detects the pressure changes in the pipelines through the system when the pipelines are damaged, thereby triggering the alarm system to report to the gas station staff for emergency repair. We also inspect equipment of gas station to ensure that the condition of all equipment is up to standard.

### Project Quality Management “TOPIC 13, 14”

The Group has formulated different management procedures in the early, middle and later stages of construction to ensure the quality of the construction. In the early stage of construction, the Group will inspect the construction quality of the construction entities in accordance with the Engineering Construction Management Procedures. If problems are found, the construction entities will be required to make rectifications in time. When key construction works are completed, the Group will arrange the construction entities and the project teams of the Group to carry out project inspection to ensure the quality of the construction works.

According to the requirements of the Construction Work Completion and Inspection Management Procedures, after completion of the construction, the construction entities will be required by the Group to conduct self-inspection on the project first, and then the Group and customer representatives will jointly conduct inspection, which includes on-site measurement and engineering data inspection.

After transferring the projects to customers, the project teams of the Group will follow up operation of the equipment according to the Engineering Trial Management Procedures. The Group also provides support to customers, including providing personnel training and equipment maintenance recommendations.

In addition to process control during construction, the Group also conducts maintenance on gas station pipelines and equipment every 2 years, rearranging preventive measures around the pipelines and conducts large-scale review and rectification on fire equipment to ensure that the quality of our operating equipment is maintained at a certain level. We have completed the relevant review and rectification in 2019 and the next one is expected to be carried out in 2021, and the entire rectification will be reviewed by the relevant government authorities. The rectification projects include the re-deployment of power supply lines in the gas station offices to ensure safe power consumption, water-proof works on the roof of gas stations to prevent water leakage, and the re-painting of fire pipes in gas stations to prevent rust, etc.



## ZHONGHUA GAS AND OPERATION

### Customer Feedback Management “TOPIC 15, 16”

The Group believes that long-term and stable development depends on the support and feedback from customers. We continue to improve the Group’s customer feedback management system and expect to provide quality services to customers and improve their service experience. We also value the feedback from our customers as their opinions allow us to make progress. If a customer is dissatisfied with the service process, he/she may lodge a complaint with the Group by letter, phone or in person. After investigation of the complaint cases, the Group will reply to the customers on the results of the investigation and discuss with the customers for rectification actions, such as arranging product recall. The Group also trains employees to handle customer relationship.

During the Reporting Period, the Group did not have any product recall or complaint related to products due to safety and health reasons. The nature of our business does not involve advertising and labelling, and there were no complaints received regarding non-compliance with product and service related advertising and labelling during the Reporting Period.

### Customer Privacy Protection “TOPIC 17”

The Group is committed to complying with relevant laws and regulations and PRC laws and regulations, such as the Personal Data (Privacy) Ordinance and the Archives Law of the People’s Republic of China. The Group’s Employee Handbook stipulates that all employees are not allowed to disclose the Group’s confidential data without authorisation, and also stipulates in the ESG Regulations that employees and suppliers shall protect information of customers and consumers. At the same time, dedicated staff are responsible for managing personal information of customers and implementing security measures for the Company’s information technology equipment, such as encryption, to prevent the misuse or leakage of customers’ information.

During the Year, there were no cases of non-compliance with relevant laws and regulations relating to product health and safety, advertising, labelling and privacy matters within the Group. The nature of the Group’s business does not involve intellectual property rights, as there is no patent applied.

### ANTI-FRAUD AND CORRUPTION “TOPIC 11”

The Group adopts a zero-tolerance approach to any unethical behaviour such as bribery, extortion, fraud and money laundering, and actively strengthens the Group’s culture of integrity and maintains a fair and ethical business and working environment. The Group complies with relevant laws and regulations in Hong Kong and the PRC, such as the Prevention of Bribery Ordinance. During the Year, there were no cases of non-compliance with relevant laws and regulations within the Group. At the same time, the Group clearly sets out its commitment to prohibit acts such as bribery, extortion, fraud and money laundering in the ESG Regulations formulated by the Group. The Employee Handbook also clarifies the code of conduct that must be followed by employees. During the Reporting Period, the Group did not receive any corruption litigation cases against the enterprise or its employees.

The Group prohibits all employees from soliciting, accepting or offering bribes, accepting any benefit and excessive luxury hospitality from any person in the course of performing the Company’s affairs. It also sets out the requirements on entertainment due to business needs, which specifies that the average spending per person shall not exceed the prescribed limit. In case of any conflict of interest encountered by employees, we require employees to use the “Conflict of Interest Declaration Form” to report to the persons in charge or their supervisors. If any violation of rules and regulations is found, the Group will take disciplinary actions in accordance with the relevant provisions of the Employee Handbook, and transfer the cases to the judicial authority if necessary.

Externally, the Group requires suppliers to formulate anti-corruption policies and enhance the transparency of their business activities. The Group and suppliers should conduct due diligence before selecting contractors or third party contractors to ensure that they comply with the requirements of the code under the ESG Regulations and the laws and regulations in respect of anti-corruption.





## ZHONGHUA GAS AND ENVIRONMENT

Climate change is an urgent issue and a major challenge for the world. As one of the world's largest economies, China has also contributed to achieving carbon neutralisation by 2060. The Group adheres to the concept of sustainable development and actively responds to national policies, and strives to promote the use of "coal-to-gas conversion" and extensive use of natural gas, such that more people can be benefited from this clean energy and help the Company reduce air pollutants and greenhouse gas emissions. The ESG Regulations formulated by the Group will cover the policies on emissions management and use of resources, and clarify the commitments to reduce the impact on the environment and natural resources. The PRC laws and regulations relating to environmental protection of the Group includes the Environmental Protection Law of the PRC. During the Year, the Group did not have any incidents of non-compliance with relevant environmental laws or regulations that have a significant impact on the Group relating to environmental issues.

As the operation of the Group does not involve manufacturing, it does not involve the use of packaging materials for finished products. The Group does not have any significant impact on the environment and natural resources, and the Tianjin New Energy Business does not involve construction that have significant impact on the environment.

### EMISSIONS

The ESG Regulations formulated by the Group cover emission management policies and clarify the commitment to reduce the impact on the environment and natural resources. The Company has no vehicles and therefore does not have a significant impact on air emissions.

#### Exhaust Emissions "TOPIC 2"

Air emissions	Unit	2020 <sup>1</sup>	2019 <sup>2</sup>
Nitrogen oxides	Kg	0.00	0.30
Sulphur oxides	Kg	0.00	0.13
Respirable suspended particulates	Kg	0.00	0.05

<sup>1</sup> No company vehicles were used during the Year, hence no exhaust emission.

<sup>2</sup> Only air pollutants generated from the use of gasoline by vehicles are included.



## ZHONGHUA GAS AND ENVIRONMENT

### Greenhouse Gas Emissions "TOPIC 1"

Greenhouse Gases	Unit	2020	2019
Scope 1 <sup>1</sup>	Tonnes of carbon dioxide equivalent	0.00	4.00
Scope 2 <sup>2</sup>	Tonnes of carbon dioxide equivalent	37.49	9.70
Total greenhouse gas emissions	Tonnes of carbon dioxide equivalent	37.49	13.70
Intensity of greenhouse gases (by area)	Tonnes of carbon dioxide equivalent/1,000 m <sup>2</sup>	22.74	6.46
Intensity of greenhouse gases (by revenue)	Tonnes of carbon dioxide equivalent/RMB million	0.15	0.13

### Hazardous and Non-hazardous Waste Disposal "TOPIC 5, 6"

Non-hazardous waste	Unit	2020	2019
Total non-hazardous waste	Tonnes	4.24	2.98
Intensity of non-hazardous waste (by area)	Tonnes/1,000 m <sup>2</sup>	2.57	1.40

For non-hazardous waste, the Group has set up waste paper recycling bins in the office to encourage employees to collect reusable paper and print internal documents with recycled paper in daily operation as far as possible. In addition, the property management staff of the Group's office building will collect domestic waste for subsequent treatment. In terms of hazardous waste, the Group's business does not involve the production of significant hazardous waste.

<sup>1</sup> Scope 1 includes emissions from fossil fuel combustion from mobile sources.

<sup>2</sup> Scope 2 includes emissions from purchased electricity from power companies. As the heat (hot water) used by the Company is supplied by the central system, no sufficient data is available for carbon emission calculation. The Company will enter into discussion with the building management office with a view to obtaining sufficient data for disclosure in the future.



## ZHONGHUA GAS AND ENVIRONMENT



### USE OF RESOURCES “TOPIC 3, 4”

The Company's business does not involve significant use of electricity and water resources. We have not encountered any issue in sourcing water and energy that is fit for purpose.

Power consumption	Unit	2020	2019
Direct energy <sup>1</sup>	kWh	0.00	16,500.00
Indirect energy <sup>2</sup>	kWh	42,397.00	15,900.00
Total energy consumption	kWh	42,397.00	32,400.00
Energy intensity (by area)	kWh/m <sup>2</sup>	25.71	15.27

Water consumption	Unit	2020	2019
Total water consumption	m <sup>3</sup>	310.00	436.00
Intensity of water consumption (by area)	m <sup>3</sup> /m <sup>2</sup>	0.19	0.21

Although the Group's operation does not involve significant use of electricity and water resources, we still hope to fulfill our civic responsibility and strive to promote energy efficiency measures within the Group, and expect to continuously reduce the use of energy and water resources in the future. The Group has no significant sewage discharge. All sewage is discharged into municipal sewage pipe network and discharged to sewage treatment plant for purification.

	Energy	<ul style="list-style-type: none"> <li>✓ Turn off air conditioners in unmanned office areas to reduce energy consumption</li> <li>✓ Employees are required to turn off office electrical equipment during lunch break</li> </ul>
	Water	<ul style="list-style-type: none"> <li>✓ Repair damaged water equipment immediately</li> <li>✓ Use purchased drinking water to be disposed for watering flowers and cleaning office</li> <li>✓ Produce water-saving signs and remind employees to save water</li> </ul>

## ZHONGHUA GAS AND COMMUNITY

### ZHONGHUA GAS AND COMMUNITY “TOPIC 25, 26”

The Group practices the concept of “taking from society, giving back to society”. As a member of society, we hope to bring contributions and positive impacts to society. The Group actively studies how to enhance community engagement and plans to help people in need in the community through different channels in the future. The Group continues to look for the focus area of community investment and expects to implement a series of community investment projects in the future.

<sup>1</sup> No company vehicles were used during the Year, hence no exhaust emission.

<sup>2</sup> It only includes emissions from purchased electricity from power companies. As the heat (hot water) used by the Company is supplied by the central system, no sufficient data is available for carbon emission calculation. The Company will continue to enter into discussion with the building management office expect to obtain sufficient data for disclosure in the future.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

### CONTENT INDEX

Aspect	Description	Page Index/ Notes
<b>A. Environment</b>		
<b>A1 Emissions</b>		
General Disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste	25-26
A1.1	The type of emissions and respective emission data	25
A1.2	Greenhouse gas emission in total and intensity	26
A1.3	Total hazardous waste produced and intensity	No hazardous waste was involved in the Group's operation
A1.4	Total non-hazardous waste produced and intensity	26
A1.5	Description of measures to mitigate emission and results achieved	25-26
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and result achieved	26
<b>A2 Use of Resources</b>		
General Disclosure	Policies on the efficient use of resources, including energy, water and other materials	27
A2.1	Direct and/or indirect energy consumption by type in total and intensity	27
A2.2	Water consumption in total and intensity	27
A2.3	Description of energy use efficiency initiatives and results achieved	27
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	27; no issue in sourcing water
A2.5	Total packaging materials used for finished products and with reference to per produced	No packaging material was used in the Group's operation





## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

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Aspect	Description	Page Index/ Notes
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	25-27
A3.1	Description of the significant impact of activities on the environment and natural resources and the action taken to manage them	25-27
<b>B. Social</b>		
Employment and Labour Practices		
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	18,20
B1.1	Total workforce by gender, employment type, age group, and geographical region	18-19
B1.2	Employee turnover rate by gender, age group and geographical region	19
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	16-17
B2.1	Number and rate of work-related fatalities	16
B2.2	Lost days due to work injury	16
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored	17



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Aspect	Description	Page Index/ Notes
B3 Development and Training		
General Disclosure	Policy on improving employees' knowledge and skills for discharging duties at work. Description of training activities	21
B3.1	The percentage of employees trained by gender and employee category	21
B3.2	The average training hours completed per employee by gender and employee category	21
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with the relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	18, 20
B4.1	Description of measures to review employment practices to avoid child and forced labour	20
B4.2	Description of steps taken to eliminate non-compliance upon discovery	20
Operating Practices		
B5 Supply Chain Management		
General Disclosure	Polices on managing environment and social risks of the supply chain	22-23
B5.1	Number of suppliers by geographical regions	22
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	22-23



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

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Aspect	Description	Page Index/ Notes
<b>B6 Product Responsibility</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	23-24; no products and services labelling was involved in the Group's operations
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	24
B6.2	Number of product and service related complaints received and how they are dealt with	24
B6.3	Description of practices relating to observing and protecting intellectual property rights	No intellectual property rights issue was involved in the Group's operation
B6.4	Description of quality assurance process and recall procedures	23
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	24
<b>B7 Anti-corruption</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	24
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	24
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	24
<b>B8 Community Investment</b>		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration of the communities' interests	27
B8.1	Focus areas of contribution	27
B8.2	Resources used on the focus areas	27