



中國基礎能源控股有限公司 China Primary Energy Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 8117)



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2022

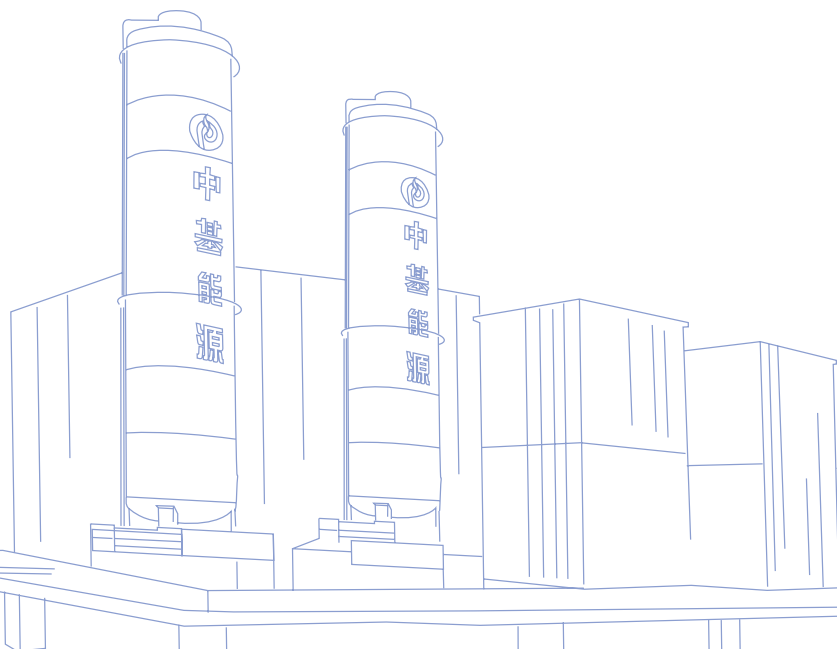


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I. PREAMBLE

Energy has already become one of the essential parts in people's daily lives, and it plays an important role in a nation's development. With the world's pressing concern on climate change and global warming, natural gas is now undeniably being regarded as a key ingredient to shape the world into a cleaner future. Although natural gas is a type of fossil fuels, it produces fewer emissions, including air pollutants and carbon dioxide ("CO₂"), while generating the equivalent amount of energy when compared to coal, petroleum and other fossil fuels. China Primary Energy Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group", "We" or "Our") understands the importance of investing into this green energy alternative in accelerating the global transition towards a clean energy system, while continue to improve its performance across the Environmental, Social and Governance ("ESG") aspects.

With China's commitment to strive to peak CO₂ emissions before 2030 and achieve carbon neutrality before 2060, this marks the nation's determination and ambition of building its own "green economy". During the period of the 14th Five-Year Plan, "green development" is said to be one of the keywords among the Chinese government's actions towards combating climate change. Along with the core guiding principles and requirements of national policies including the "Guiding Opinions on Energy Work in 2022" (《2022年能源工作指導意見》) and "Action Plan for Carbon Dioxide Peaking Before 2030" (《2030年前碳達峰行動方案》), the Group will continue to bear its responsibility to contributing to the Chinese government's ambition as a green energy provider.

The year of 2022 was a year filled with uncertainties brought by the COVID-19 Pandemic (the "Pandemic"). Despite the challenges that the Pandemic brought to the globe, 2022 was also a year which nations experienced recovery of economy and mobility. Entering the era of the "new normal", the Group is determined to continue its progress on clean energy transformation, thus make its business thrive further with a balanced consideration of environmental protection, fulfilling social responsibilities and supporting economic development. With the Group's solid progress which has been made in optimising its ESG system and performance during the year, the Group strives to devote further in seeking sustainable alternatives within its operations and throughout its value chain.

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II. ABOUT THIS REPORT

The Group is pleased to present its ESG Report (“ESG Report”) for the financial year ended on 31 December 2022 (“FY2022”) from 1 January 2022 to 31 December 2022, to demonstrate the Group’s approach and performance in terms of ESG management and corporate sustainable development, as well as the key challenges and opportunities of the Group in its path towards creating shared value to all sustainably and the effective ways in which the Group will be responding.

This ESG report was prepared in compliance with the Appendix 20 – Environmental, Social and Governance Reporting Guide (“ESG Guide”) and under the “Comply or Explain” provision as set out in the GEM Listing Rules on The Hong Kong Exchanges and Clearing Limited (“HKEx”). Under the guidance of the ESG Guide of HKEx as well as associated standards, the Group has strictly followed the requirements and recommended steps to measure, record, evaluate and disclose its ESG performance during the year under review. A complete content index and a linkage table of GRI (Global Reporting Initiative) Standards are available at the end of the ESG report for readers’ convenience to check its integrity.

Reporting Scope

Taking Operational Control Approach as the basis for setting the reporting boundary, this ESG Report covers the key environmental and social performance within the operational boundaries of the Group that includes the business of the transmission and distribution of natural gas, sales of heat and biomass gasification related products, property investment primarily in the People’s Republic of China (the “PRC”), and trading of electronic components in Hong Kong. Given that the Group completed a full disposal of equity interest of Tengchong China Primary Energy Limited (騰冲中基能源有限公司), the information related to Tengchong China Primary Energy Limited has no longer been incorporated into the ESG Report. For corporate governance section, please refer to Page 26 to 36 of the Group’s 2022 Annual Report.

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Reporting Principles

The preparation of this ESG Report strictly conforms to the Reporting Principles set out in the ESG Guide, namely Materiality, Quantitative, Balance and Consistency. Below is a description of where the principles have been applied throughout the ESG Report.

Materiality:

The Group recognises the significance of identifying and determining the significant ESG issues and associated risks and opportunities, thus conducts an annual materiality assessment to collect feedbacks from various stakeholders on their concerns and expectations regarding the Group's sustainable development. The materiality outcome has been approved by the Board of Directors of the Group (the "Board") and will be utilised as a valuable tool guiding the business development of the Group. More information can be found in the section of **Stakeholder Engagement** and **Materiality Assessment**.

Quantitative:

Calculations and numeric presentation of the Group's environmental and social Key Performance Indicators ("KPIs") reflect the application of the reporting principle of Quantitative. Footnote of each performance table specifies the corresponding calculation methods, assumptions and conversion factors used.

Balance:

To delineate a complete picture of the Group's sustainability performance, the Group has integrated the principle of Balance in its data collection and reporting process, transparently unveiling its outstanding achievements as well as illustrating the rooms for improvement in the future.

Consistency:

The Group believes that the adoption of a set of consistent methodology and framework for reporting on its ESG performance is of paramount important to its stakeholders. Reporting techniques including the calculation of Greenhouse Gas ("GHG") emissions are aligned with the Group's previous ESG Reports to allow meaningful comparisons. In case of any significant differences from the previous reporting network, corresponding explanation will be made.

Information Disclosure

The information in this ESG Report was gathered through a wide range of channels to ensure data richness, including internal policies of different subsidiaries of the Group, the factual evidence of the implementation of ESG practices in the Group, the feedback from staff via online surveys in the format of quantitative and qualitative questions based on the reporting framework, and the verified statistics of the Group's annual performance in business operations and sustainable development. This report was prepared in both English and Chinese. If there is any conflict or inconsistency, the English version shall prevail.

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III. SUSTAINABILITY GOVERNANCE & STRATEGY

Board Statement

The shift towards a greener energy alternative is crucial to the building of a sustainable future, and the Group fully recognises its responsibility of devoting its efforts to search for potential pathways leading to a clean energy transformation as a green energy provider. In order to fully support the nation's targets of peaking CO₂ emissions by 2030 and achieving carbon neutrality before 2060, the Group believes that developing and implementing suitable and effective strategies are essential in contributing to China's nationwide green development directions.

The Group understands an efficient and robust governance structure is essential to drive sustainable development. A "top-down" management approach (as illustrated in **Sustainability Governance Structure** below) has been applied to the Group's sustainability governance framework, which guides the Group's ESG vision and strategy to be signalled from the Board to management teams and general staff. The Board oversees the Group's ESG issues and has the ultimate responsibility for ensuring the effectiveness of the implementation of ESG policies and reporting matters.

The Board evaluates, prioritises and manages material ESG issues through stakeholder engagement and materiality assessment, which will be further discussed in the chapter **STAKEHOLDER ENGAGEMENT**. Under the robust leadership of the Board, the Group's management teams focus on implementing sustainability strategies by formulating various effective policies and controlling operation procedures which cover a spectrum of ESG-related areas. With reference to the results of the materiality assessment, the management and third-party ESG consultants engaged by the Group are responsible for evaluating the effectiveness of the implemented ESG policies by monitoring the Group's progress towards relevant goals and targets.

After identifying the most relevant and material ESG-related risks and opportunities, information will be summarised and reported to the Board via conference meetings. The Board can be timely informed of the Group's performance in pursuing and maintaining a sound ESG mechanism, and the Group's overall progress towards relevant objectives through regular reports from management and the Group's annual ESG report. The Board continued to review the practices and performance of the Group with respect to metrics from environmental impacts, labour practices, operation, and other relevant topics derived from its material assessment, under the broader sustainability concept through both qualitative descriptions and numeric figures which are used for trend analysis.

Last but not least, on behalf of the Board, I would like to express my sincere gratitude to our employees, management team, Board members, as well as our business partners and clients, for their continued support and valuable contributions towards the Group's sustainable development.

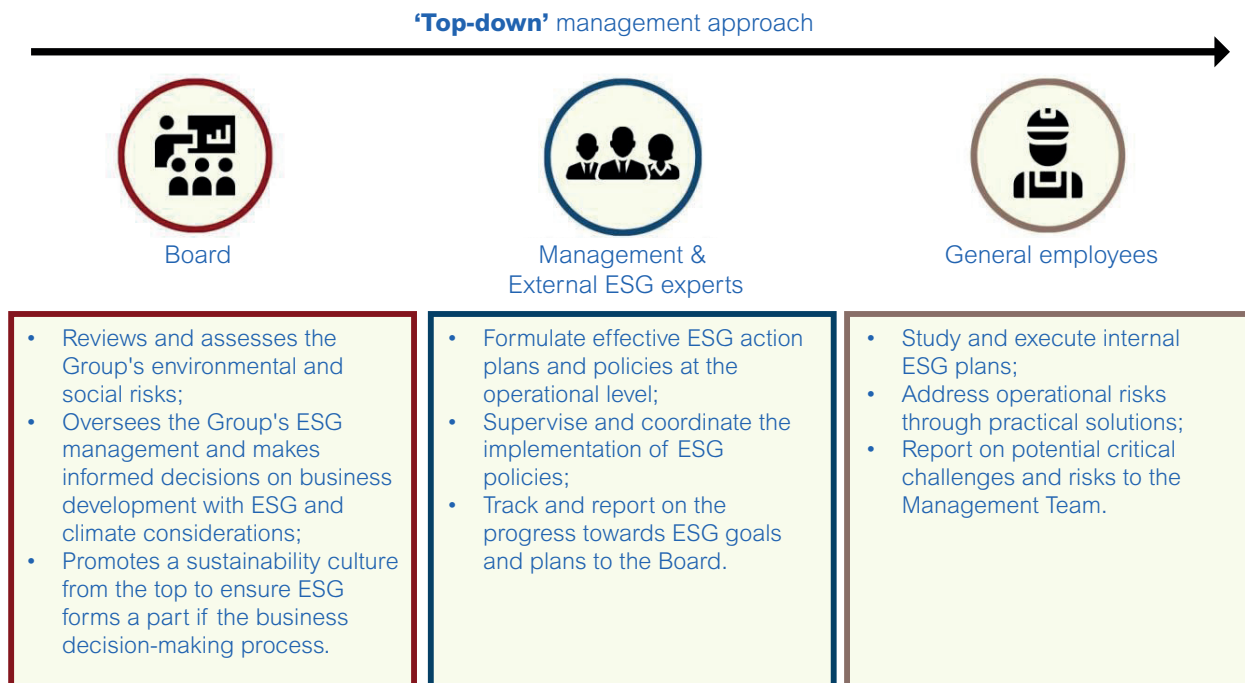
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Integration of ESG Risk Management

Risk management is vital and has always been regarded as the foundation to maintaining stable and resilient business operations by the Group. In order to satisfy the ever-changing needs of its stakeholders and adapt to the latest industry's trends and requirements, the Group regularly reviews and adjusts its sustainability policies with considerations on the material ESG-related risks. Moreover, the Group adopts a barrier-free and efficient reporting mechanism which favours the Board to identify, assess and respond effectively to the actual and potential ESG risks, and make corresponding adjustments on its annual budget and commercial planning.

As part of its ESG integration plan, the Group is committed to further instilling the concept and tools of ESG across all relevant Board committees and functional departments. Details regarding the management approaches in both environmental and social aspects are discussed throughout different sections of this ESG Report.

Sustainability Governance Structure



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IV. STAKEHOLDER ENGAGEMENT

The concerns and expectations of stakeholders are undeniably crucial to the Group's capability of long-term value creation. The Group highly values the feedback from its stakeholders and keeps maintaining trustful and supporting relationships with its stakeholders, including internal employees, external business partners, governments, investors and clients.

In FY2022, the Group engaged with its stakeholders via different channels and proactively responded to their concerns. The sound management of stakeholder relationship continues to enable the Group to formulate corresponding action after understanding stakeholders' needs and expectations. The table below lists out the Group's stakeholders' expectations and their preferred communication channels.

Table 1 Stakeholders Expectations and Communication Channels

Stakeholders	Expectations and concerns	Communication Channels
Government and regulatory authorities	<ul style="list-style-type: none">- Compliance with laws and regulations- Support economic development- Business sustainability- Acceleration of energy restructuring towards clean and renewable energy	<ul style="list-style-type: none">- Supervision on the compliance with local laws and regulations- Routing reports and tax paid
Shareholders	<ul style="list-style-type: none">- Return on investments and achieve targets- Corporate governance and communication- Policy reviews and performance monitoring	<ul style="list-style-type: none">- Regular reports and announcements- Regular general meetings- Official company website
Employees	<ul style="list-style-type: none">- Employees' remuneration and benefits- Career development- Implementation of ESG strategies- Health and safety in the workplace	<ul style="list-style-type: none">- Performance reviews- Regular training programs- Regular meetings (private meetings or AGMs)- Emails, notice boards, hotline, caring activities with management

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Stakeholders	Expectations and concerns	Communication Channels
Customers	<ul style="list-style-type: none"> - Production quality assurance - Protect the rights of customers - Qualified products with good performance against environmental indicators 	<ul style="list-style-type: none"> - Customer satisfaction survey - Customer service hotline and email - Face-to-face meetings and onsite visits
Suppliers	<ul style="list-style-type: none"> - Fair and open procurement - Win-win cooperation - Business ethics - Environmental protection 	<ul style="list-style-type: none"> - Open tendering - Suppliers' satisfactory assessment - Face-to-face meetings and onsite visits - Industry seminars
Professional bodies	<ul style="list-style-type: none"> - Climate change awareness and inputs - Laws and regulations compliance - Implementation of ESG strategies 	<ul style="list-style-type: none"> - Routine reports - Emails, hotline, enquires
General public	<ul style="list-style-type: none"> - Involvement in community activities - Laws and regulations compliance - Awareness of environmental protection - Promotion of the use of natural gas 	<ul style="list-style-type: none"> - Media conferences and responses to enquiries - Public welfare activities - Regular reports and announcements - Face-to-face interview

Materiality Assessment

As ESG risks and opportunities for companies vary across industries and depend on different corporate backgrounds, business models and operational characteristics, the Group undertook an annual materiality assessment based on dialogues with external stakeholders and internal impact analysis. The results were being reviewed and endorsed by the Board.

In FY2022, the Group selected a range of its key stakeholders to participate in a materiality assessment survey initiated by a third-party agency based on the principle of accuracy and objectivity. The key internal and external stakeholder representatives were invited to prioritise the relevant ESG issues from a broad inventory of 28 topics from seven pillars including environment, employment, supply chain management, product responsibility, anti-corruption, community relations, and leadership & governance. With the information from stakeholders as well as internal impact analysis, the Group has derived the materiality assessment results as shown below.

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Materiality Assessment Outcome			
<ul style="list-style-type: none"> • GHG Emissions • Climate Change Mitigation & Adaptation • Business Ethics & Anti-corruption • Internal Grievance Mechanism • Business Model Adaptation and Resilience to Environmental, Social, Political and Economic Risks and Opportunities • Management of the Legal & Regulatory Environment (regulation-compliance management) • Critical Incident Risk Responsiveness • Systemic Risk Management (e.g. Financial Crisis) 	Areas that are identified to be relatively more important to external stakeholders only	Areas that are identified to be vital	<ul style="list-style-type: none"> • Energy Management • Water & Wastewater Management • Solid Waste Stewardship • Renewable and Clean Energy
<ul style="list-style-type: none"> • Product/Service Quality and Safety • Customer Privacy and Data Security • Marketing and Promotion • Intellectual Property Rights • Labelling Relating to Products/Services • Participation in Philanthropy • Cultivation of Local Employment • Support of Local Economic Development 	Areas that are identified to be relatively insignificant	Areas that are identified to be relatively more important to internal stakeholders only	<ul style="list-style-type: none"> • Labour Practices • Employee Remuneration and Benefits • Occupational Health and Safety • Employee Development and Training • Green Procurement • Engagement with Suppliers • Environmental and Social Risk Management of Supply Chain • Supply Chain Resilience

According to the materiality analysis, “Energy Management”, “Water & Wastewater Management”, “Solid Waste Stewardship” and “Renewable and Clean Energy” were being identified as the material ESG topics to the Group. The materiality outcome will inform the Group to lay more emphasis on actions to mitigate the risks related to these categories in operations.

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UN Sustainable Development Goals ("SDGs")

In FY2022, the Group continued with its performance benchmarking on the global SDGs, aiming to utilise the globally recognised framework as a guidance for its business development direction. Through online surveys with its stakeholders and a comprehensive analysis of its interconnections with global sustainability issues, the Group's stakeholders further expressed their expectations of the Group to further its progress in contributing to the following SDGs, namely Goal 3: Good Health and Well-Being for People, Goal 5: Gender Equality, Goal 6: Clean Water and Sanitation, Goal 7: Affordable and Clean Energy, and Goal 8: Decent Work and Economic Growth.



Stakeholders Feedback

As the Group strives for excellence, stakeholders' feedback is always welcomed, especially on topics listed of high importance in the materiality assessment. Readers are also welcomed to share their views with the Group at info@china-penergy.com.

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V. ENVIRONMENTAL SUSTAINABILITY

The Group is committed to upholding the sustainability of the environment and the community in which it operated, through strictly controlling its emissions and consumption of resources, thus abiding with applicable laws and regulations in Hong Kong and the PRC in its daily operations. Following national goals and plans in pursue of energy transition and achieving global climate goals, the Group is devoted to contributing to ecological and environmental protection, thus ensuring that such concept is being deeply rooted in the Group's operations.

This section primarily discloses the Group's policies, practices, and quantitative data on emissions, the use of resources, the environment and natural resources, as well as climate change in FY2022.

A.1. Emissions

In FY2022, the principal emissions from the Group were air emissions from electricity consumption and vehicle use, municipal wastewater and solid wastes. The Group complied with the relevant environmental laws in the operating regions concerning air and GHG emissions, discharges into water and land, generation of hazardous and non-hazardous wastes, and noise that have a significant impact on the Group, including but not limited to:

- Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》); and
- Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》)

In FY2022, the Group's total GHG emissions is 6,945.7 tonnes in which Scope 2 (Energy Indirect Emissions) dominated the emissions. Air emissions included sulphur oxides ("SO_x"), nitrogen oxides ("NO_x") and particulate matter ("PM"). During the year under review, the Group generated and discharged non-hazardous solid waste and wastewater, while no hazardous waste was generated.

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The Group's total emissions are summarised in Table 2 as follow.

Table 2 The Group's Total Emissions by Category in FY2022 and FY2021

Emission Category	Key Performance Indicator (KPI)	Unit	Amount in FY2022	Intensity (Unit/employee) in FY2022 ¹	Amount in FY2021 ²	Intensity (Unit/employee) in FY2021 ²
Air Emissions ³	SO _x	Kg	0.1	-	0.6	-
	NO _x	Kg	5.3	-	181.3	-
	PM	Kg	0.4	-	17.2	-
GHG Emissions ⁴	Scope 1 (Direct Emissions) ⁵	Tonnes of CO ₂ e	660.8	4.4	744.2	4.9
	Scope 2 (Energy Indirect Emissions) ⁶	Tonnes of CO ₂ e	6,249.4	41.4	5,304.1	35.1
	Scope 3 (Other Indirect Emissions) ⁷	Tonnes of CO ₂ e	40.1	0.3	43.9	0.3
	Total (Scope 1 & 2 & 3)	Tonnes of CO ₂ e	6,945.7	46.0	6,092.2	40.3
Non-hazardous Waste	Solid Wastes	Kg	195,000.2	1,291.4	168,950	1,118.9
	Wastewater ⁸	M ³	115,636	765.8	113,022	748.5

1. Intensity was calculated by dividing the amount of air, GHG and other emissions by the number of employees of the Group in FY2022, which is 151;
2. The amount and intensity for FY2021 were extracted from the Group's FY2021 ESG Report;
3. Air emissions included only the air pollutants in the exhaust gas from vehicles for transportation;
4. The methodology adopted for reporting on GHG emissions set out above was based on "How to Prepare an ESG Report? – Appendix 2: Reporting Guidance on Environmental KPIs" issued by HKEx and with reference to the IPCC Emission Factor Database;
5. The Group's Scope 1 (Direct Emissions) included only the consumption of diesel, gasoline and natural gas for the operation of motor vehicles and other business operations;
6. The Group's Scope 2 (Energy Indirect Emissions) included only the electricity consumption;
7. The Group's Scope 3 (Other Indirect Emissions) included only paper waste disposed at landfills, electricity used for processing fresh water and sewage by government departments; and
8. The total amount of wastewater discharged from the Group in FY2022 was based on the assumption that 100% of the consumed fresh water entered the building drainage system.

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Management Approach

Transmission and distribution of the natural gas business

The natural gas business segment is one of the core components to the Group, thus it is of high importance for the Group to effectively manage the environmental performance and related impacts of its natural gas transmission and distribution activities. The Group strictly adheres to applicable industrial standards that regulate the practices and emissions performance in operations, including but not limited to the Ambient Air Quality Standards 《環境空氣質量標準》(GB3095-2012), Environmental Quality Standard for Noise 《聲環境質量標準》(GB3096-2008), Environmental Quality Standards for Surface Water 《地表水環境質量標準》(GB3838-2002), etc. The Safety Supervision Department together with other departments are responsible for addressing environment-related issues in the business segment according to a series of internal policies.

Sales of heat and biomass gasification related products

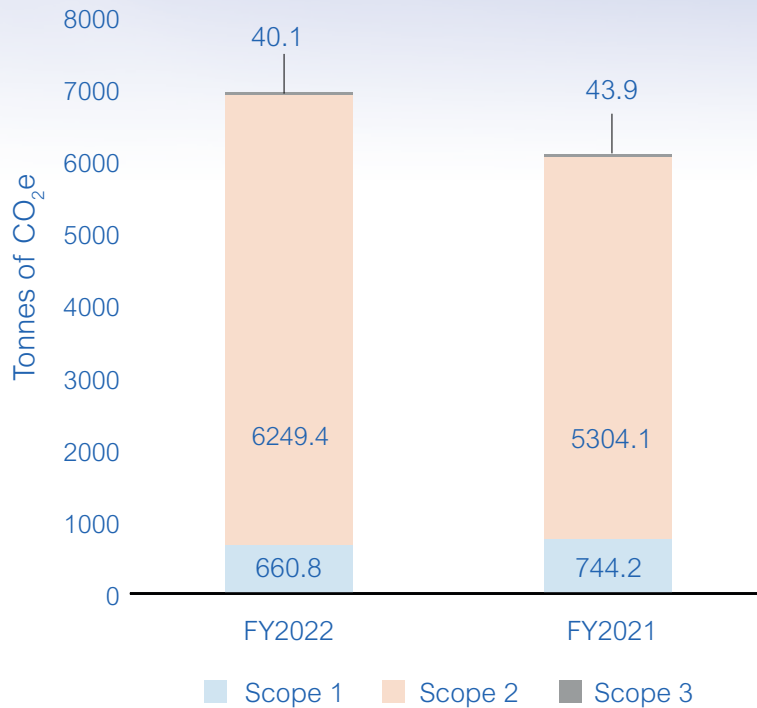
Over the years, the Group has been strengthening the development of biomass-related products as a clean energy solution, thus improving the connectivity of its clean energy infrastructure. By utilising its online monitoring system, the Group records, measures and evaluates its performance against environmental criteria. Based on a systematic performance tracking mechanism, the Group has proposed relevant targets and plans for improvement.

Air Emissions and GHG Emissions

In FY2022, air emissions were mainly generated from the use of vehicles for transportation, while GHG emissions are mainly dominated by Scope 2 (Indirect Emissions) from the consumption of electricity. The amount of GHG emissions increased by 14% when compared to FY2021 due to the increase in electricity consumption, however, Scope 1 and Scope 3 GHG emissions dropped by 11% and 9% respectively with reductions in the use of gasoline and paper consumption.

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The Group's total GHG emission in FY2022 and FY2021



The Group has been devoting a large amount of resources to exploring cleaner and more sustainable alternatives to power vehicles and sustain operations, such as switching to a cleaner burning method to improve air quality. The Group has been paying great attention to the safe use of Tetrahydrothiophene (“THT”), which is widely used as an odorant for warning purposes in the natural gas industry in the PRC, thus ensuring its operations are strictly complied with applicable regulations in the PRC.

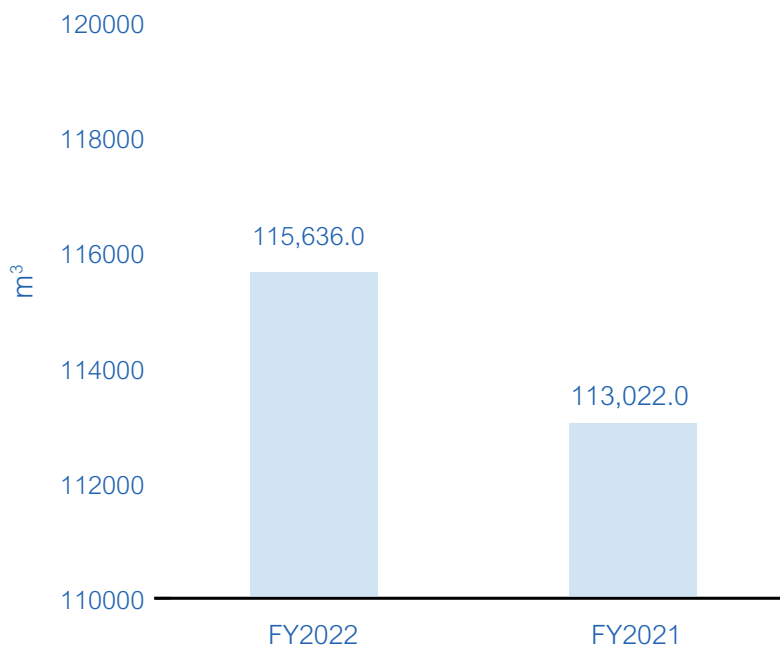
Meanwhile, the Group's sales of heat and biomass gasification related products business segment continues to lower its GHG emissions by controlling the electricity and water consumption rate per product. Through gasification of biomass, such as rice husk and straw, the energy stored in the materials can be effectively converted to convenient gaseous fuel, and the Group believes that accelerating such process can bring economic and environmental benefits to the Group.

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Waste

In FY2022, the wastewater and solid waste generated from the Group were mainly domestic sewage and solid waste by its staff from daily operations. The Group ensures that wastewater is treated properly before discharged into the sewer, while the solid waste was collected, sorted and collected by eligible third-parties for recycling. The amount of wastewater slightly rose by 2% when compared to FY2021.

The Group's wastewater produced in FY2022 and FY2021



The Group has been committed to controlling and managing its waste generation through the implementation of Sustainable Waste Management. Its target is to effectively connect those tangible threads to enhance its employees' awareness of environmental stewardship, and carefully behave as required by the national rubbish sorting policies, waste recycling rules and National Water-Saving Action Plan (國家節約用水行動方案).

The sales of heat and biomass gasification related products business segment of the Group has implemented a series of measures including the reutilisation of carbonised material produced after the gasification of rice husk, and separately measuring the water consumption of each production line and for domestic use in order to reduce heat loss and unnecessary water usage.

Given that the amount of wastewater discharged highly depends on the amount of water used, details on water conservation practices will be discussed in **A.2. Use of Resources**.

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A.2. Use of Resources

In FY2022, the primary resources consumed by the Group were electricity, gasoline, diesel, natural gas, water, paper and rice husk. Given its business nature, the Group did not use any packaging material during the year under review.

The Group complied with relevant laws and regulations on its use of resources, including but not limited to:

- Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》); and
- Provisions on the Management of Water Conservation in Cities (《城市節約用水管理規定》).

Management Approach

The Group continues to strengthen its monitoring, measurement and evaluation of its performance in energy and water usage in order to effectively manage its resources use efficiency. To minimise its potentially negative environmental impacts, the Group strives to discover alternatives and utilise innovative technologies with the application of the “3R Principles”. Table 3 illustrates the amount of resources used by the Group in FY2022.

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Table 3 The Group's Total Use of Resources by Category in FY2022 and FY2021 ³

Use of Resources	Key Performance Indicator (KPI)	Unit	Amount in FY2022	Intensity (Unit/employee) in FY2022 ¹	Amount in FY2021 ²	Intensity (Unit/employee) in FY2021 ²
Energy	Electricity	MWh	10,761.9	71.3	8,698.5	32.0
	Gasoline	L	7,863	52.1	50,698.9	335.8
	Diesel	L	14,240	94.3	10,230.7	67.8
	Natural gas	m ³	320,100	2,119.9	316,680	2,097.2
	TOTAL	MWh	14,458.3	95.8	12,284.9	81.4
Water	Water ³	m ³	115,636	765.8	114,242.4	756.6
Paper	Paper	Kg	535	3.5	1,389	9.2
Raw Materials	Paper	Tonne	0.5	3.3×10 ³	-	-
	Rice husk	Tonne	28,191	186.7	-	-

^{1.} Intensity was calculated by dividing the amount of resources by the Group's number of employees in FY2022;

^{2.} The amount and intensity for FY2021 were extracted from the Group's FY2021 ESG Report; and

^{3.} The water consumption excluded the Hong Kong office of the Group in both FY2022 and FY2021 as the water bills were covered in the property management fees and regarded immaterial relative to the amount of water use for production.

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Electricity

In FY2022, the Group's electricity consumption increased by 24% due to the resume of business activities across the Group's various business segments.

To improve the electricity use efficiency, variable frequency equipment has been highly recommended and installed for production in the factory. In general, the Group has been implementing the following practices to improve its electricity usage efficiency:

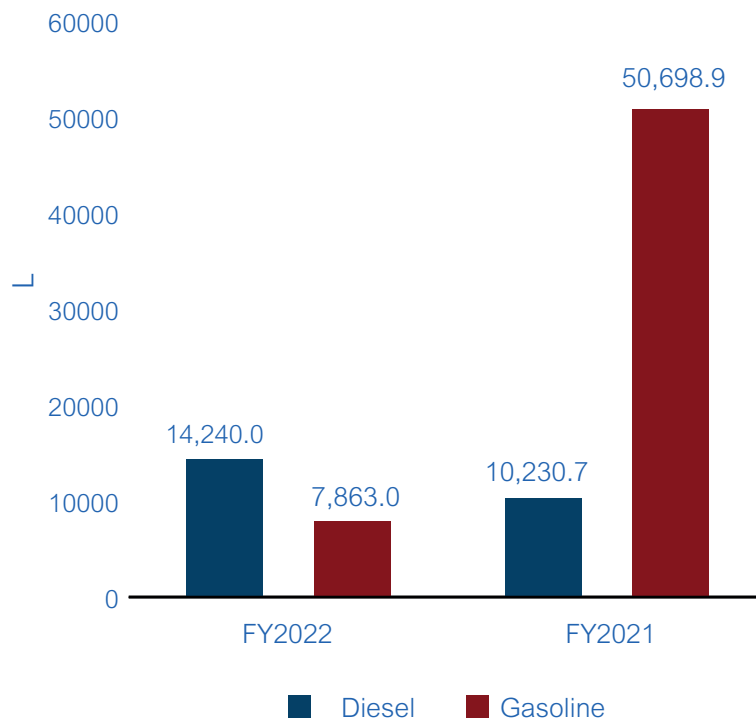
- Switch off all idle lights and air-conditioning timely;
- Place "Saving Electricity, turn off the Light when Leaving" posters in prominent places to remind employees of energy conservation;
- Maintain the electrical appliances (such as refrigerator, air-conditioner and paper shredder) on a regular basis;
- Use electrical appliances with certified energy-saving labels;
- Make use of natural gas as fuels for canteen operations;
- Include electricity bills of office operations in annual budget management; and
- Prohibit heating equipment and other electricity guzzling appliances in the office.

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Other Energy Resources

In FY2022, the Group's consumption of other energy resources included gasoline, diesel and natural gas. In particular, the gasoline consumption of the Group declined by 84% mainly due to the reduction of business transportation by private cars.

The Group's total gasoline and diesel consumption in FY2022 and FY2021



To reduce the fuel consumption in transportation, the Group has implemented the following practices:

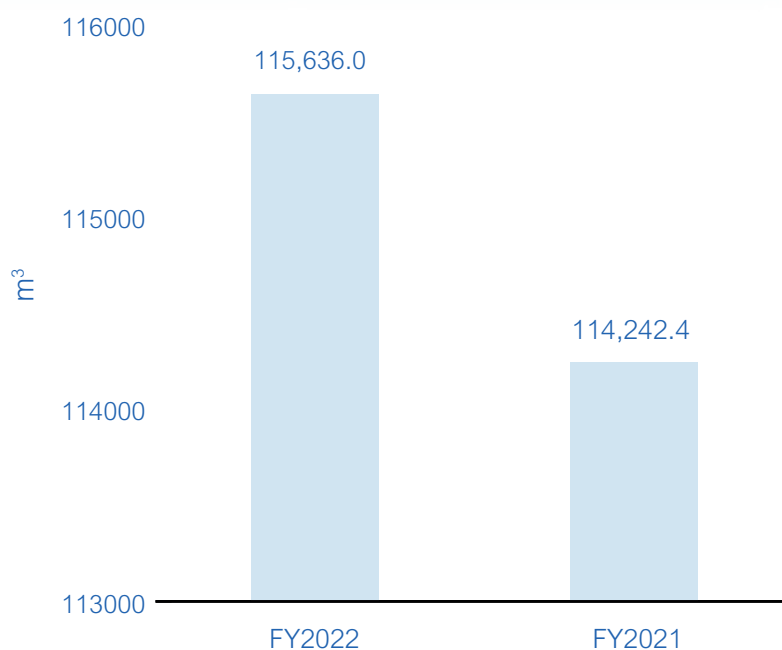
- Regular servicing of the vehicle that enables good fuel conservation and emission control;
- Adopt vehicle sharing for business travel when appropriate; and
- Encourage staff to take public transportation instead of driving to work.

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Water

The Group understands the importance of fully utilising water resources in minimising unwanted water loss. In FY2022, the Group's determination in saving water is depicted in which its water consumption remained at a similar level with a slight increase by 1%.

The Group's total water consumption
in FY2022 and FY2021



To improve the water utilisation efficiency, the Group has taken the following measures:

- Reuse the circulating water for cooling as heating water and domestic water;
- Place "Saving Water Resource" posters in prominent places to encourage water conservation;
- Carry out regular leakage tests on water tap, washers and other defects in the water supply system;
- Include the water bills of office operations in annual budget management;
- Adjust the output per unit time of water taps; and
- Repair dripping taps timely.

During the year under review, the Group did not face any problems in sourcing water.

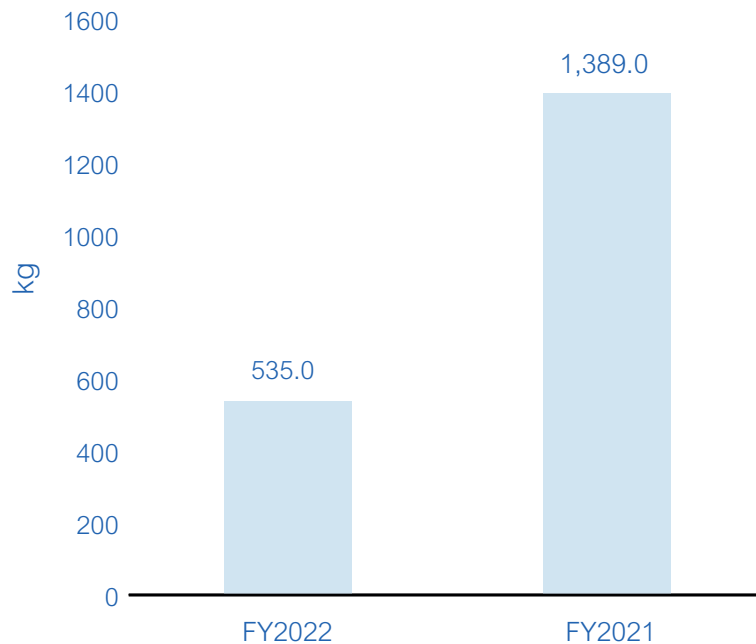
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Paper

The Group's ambition to strengthen the concept of paperless office promotes the implementation of "Circular Economy" by reducing, reusing and recycling paper products in its operations. In addition to paper recycling, employees were encouraged to make use of digital formats to store and review documents.

In FY2022, a significant 61% drop in the Group's paper consumption has been recorded given the Group's effective promotion on a green office culture. In addition, the Group recycled 25 kg of paper in response to the paperless office concept.

The Group's total paper consumption
in FY2022 and FY2021



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A.3. The Environment and Natural Resources

The Group understands the importance of applying renewable energy resources to generate clean power as a member of the energy sector. As an enterprise that has been engaged in natural gas business for years and embarked on biomass gasification business in pursue of a sustainable world, the Group has constantly been monitoring and reviewing its environmental impact through well-defined KPIs.

In FY2022, the Group continued its effort on controlling its emission and consumption of natural resources. In particular, the Group's Scope 1 and Scope 3 GHG emissions dropped by 11% and 12% respectively, along with an 84% decrease in its gasoline consumption during the year under review. Understanding the importance of shifting to a "greener" option, the Group has been devoting to the development of biomass gasification heating, which is a modern biomass technology, to provide a cleaner and more sustainable heating alternative to the public, thus enabling the Group to further its steps towards the construction of a low-carbon development model for the nation. Given the potential negative consequences that such operations would bring, the Group is aware of the importance of adequate and effective precautionary measures that are in place. For instance, the Group has installed atmospheric online monitoring system to ensure that the quality of emitted fumes complies with local standards.

Among various strategic objectives in seeking environmental sustainability, improving energy efficiency effectively has invariably been placed at the Group's top priorities. The Group has been recording and measuring its energy and water consumption during production to keep an eye on its progress towards the environmental targets. In FY2022, with the effective implementation of different measures, no significant environmental impacts were imposed by the Group. Still, the Group has set up the targets as listed below to empower staff of all operating units to be motivated in exploring and applying more advanced and effective solutions to enhance efficiency in operations. The Group aims to minimise its environmental impacts and accelerate the transition towards a low-carbon business model.

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Targets and Actions

Aspect	Target	Action
Air and GHG Emissions	Setting FY2021 as the baseline year, the Group aims to reduce its overall GHG emissions (Scopes 1 and 2) by 22.5% by 2030	The Group will continue its commitment in embracing electrification in advancing more sustainable energy solutions and promoting cost-effective and low-carbon technologies for transportation and operations
Waste	Setting FY2022 as the baseline year, the Group aims to maintain its waste intensity fluctuation at 5% above or below	The Group will continue its commitment in controlling and managing its waste generation through the implementation of Sustainable Waste Management
Electricity	Setting FY2022 as the baseline year, the Group aims to maintain its electricity consumption per product at the same level	The Group will continue its operation under the principle of “Rationally Using and Saving Electricity” thus embedding it into its business strategy
Other Energy Resources	Setting FY2022 as the baseline year, the Group aims to maintain its gasoline consumption at the same level	The Group will strive to reduce gasoline consumption by formulating travel plans for transportation. In the long term, the Group will continue exploring innovative solutions and the application of feasible environmentally friendly technologies into its business operations
Water and Wastewater	Setting FY2022 as the baseline year, the Group aims to maintain the production water loss rate within 10%	The Group will strengthen the education on water conservation among its staff

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A.4. Climate Change

As an enterprise that has been engaged in clean energy exploration, promotion and application for years, the Group understands the necessity of addressing climate-related risks and opportunities that may impact its daily operations. In response to the global climate targets arose from the world's pressing concern on climate change, the Group refers to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and identified the following risks and opportunities arising from climate change.

For years, the Group has been focusing on its climate risk assessment from a holistic perspective, and regarding the following climate-related risks and opportunities as ones which may impact the Group's business operations in the long-term.

Risk

Physical Risk

- Rising sea level and mean temperature due to global warming

Transition Risk

- Enhanced emissions-reporting obligations
- Increased pricing of GHG emissions

Potential Impact

It may affect the stability of the Group's existing assets, thus causing write-offs and early retirement. The rising mean temperature could influence the stability of the Group's supply chain management in particular.

Compliance and operating costs are expected to rise in response to the rippled effect brought by stricter regulations.

Opportunity

Embarking upon and scaling up the efforts on the exploration of renewable energy sources, such as the biomass gasification opportunities in business development.

Potential Impact

Benefit the Group by enhancing its image and promoting sustainable development through renewable energy at the same time.

The Group believes that lowering its carbon intensity is vital to mitigate the potential climate-related risks. In light of this, the Group has adopted the following practices to mitigate and adapt to the underlying implications of climate change on its business:

- Stay updated with the latest updates on science-based climate risk assessment standards and disclosure frameworks, including Task Force on Climate-related Financial Disclosures;
- Enhance the knowledge of climate science among employees; and
- Benchmark and align strategies and operating measures with global best practices in improving energy efficiencies in operations.

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VI. SOCIAL SUSTAINABILITY

B.1. Employment

The Group understands the importance of employee management, thus it treats its employees equally, respects their opinions and responds to their needs. With the aim of developing and maintaining a comfortable and appealing workplace, and providing sustainable career development opportunities to all employees, the Group has long been committed to growing with its employees together. The Group adheres to the principle of “paying respect to the dedicated, utilising the competent, fostering the aspired and incentivising the innovative” in its employee management. In FY2022, the Group had a total of 151 employees (including 4 part-time workers and 147 full-time employees).

Table 4 Number of Employees by Age Group, Gender, Employment Type, Position Type, Geographical Locations of The Group in FY2022 ¹

Unit: Number of employees		Age group				Total
Gender	30 or below	Between 31 and 40	Between 41 and 50	51 or above		
Male	13	35	23	30	101	
Female	7	14	12	17	50	
Total	20	49	35	47	151	

Unit: Number of employees		Position			Total
Gender	General staff	Middle management	Senior management and directors		
Male	70	16	15	101	
Female	39	8	3	50	
Total	109	24	18	151	

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Employment type		
Full time	Part time	Total
147	4	151

Geographical location	
Locations	Number of employees
PRC	147
Hong Kong	4
Total:	151

1. The employment data in headcount was obtained from the Group's Human Resources Department based on the employment contracts entered into between the Group and its employees. The data covered employees engaged in a direct employment relationship with the Group according to relevant local laws and workers whose work and/or workplace was controlled by the Group. The methodology adopted for reporting on employment data set out above was based on "How to Prepare an ESG Report — Appendix 3: Reporting Guidance on Social KPIs" issued by HKEx.

Law compliance

Since inception, the Group regularly updates and adjusts its employment policies to cater for social changes and to abide by the relevant laws and regulations in the PRC and Hong Kong. In FY2022, the Group complied with the relevant laws and regulations, including but not limited to:

- Employment Ordinance (Chapter 57 of the Laws of Hong Kong);
- Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong);
- Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong);
- Labour Law of the People's Republic of China (《中華人民共和國勞動法》); and
- Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》).

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Management approach

The Human Resources Department of the Group is responsible for reviewing and updating relevant company policies regularly in accordance with the latest laws and regulations. The Group implements various employment policies and mechanisms, including but not limited to Human Resources Management System (人力資源管理制度), Labour Contract Renewal Management System (勞動合同續簽管理制度), Comprehensive Management System (綜合管理制度) and Employee Handbook, which makes the Group's employment system is under strict and effective management around its fundamental strategies including:

- Provide equal opportunities to employees to be recruited and promoted;
- Adopt both forms of internal and external recruitment for vacant positions;
- Consider multiple essential criteria, such as work performance, when promoting employees.

Recruitment and promotion

Throughout recruitment and promotion processes, the Group practises gender equality policies. The Group's "Yearly Recruitment Plan" manages its recruitment activities every year. The Group aims to attract high-calibre candidates by offering fair and competitive remuneration and benefits based on individuals' performance, personal attributes, job experiences, career aspiration and market benchmarks. The General Department (綜合部) is responsible for reporting the interview results to the general manager of the company for approval, it will then go through the strict recruitment and entry procedures, and newly employed staff are required to fill in the "Employee Enrolment Registration Form" (員工入職登記表).

The Group refers to market benchmarks and provides equal opportunities for promotion to eligible employees who have shown outstanding performance and made significant contributions to the Group.

Compensation and dismissal

The Group constantly reviews its compensation packages, regularly conducts performance appraisal with its employees, and annually adjusts the salary packages for its staff in accordance with the overall market level, inflation rate and profitability of the Group.

The Group strictly prohibits any kind of unfair or illegitimate dismissals. For those whose working performance is poor, the Group would first give a verbal warning before issuing a warning letter. For those who remain untamed despite making the same mistakes repeatedly, the Group dismisses the person according to internal policies.

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Table 5 Employee Turnover Rate by Age Group, Gender and Geographical Locations in FY2022 ¹

Unit: Number of employees	Age group				Total
	30 or below	Between 31 and 40	Between 41 and 50	51 or above	
Gender					
Male	3	2	4	9	18
Employee turnover rate	23.1%	5.7%	17.4%	30.0%	17.8%
Female	0	1	3	3	7
Employee turnover rate	0%	7.1%	25.0%	17.6%	14.0%
Total	3	3	7	12	25
Total employee turnover rate	15.0%	6.1%	20.0%	25.5%	16.6%

Geographical locations		
Locations	Employee turnover	Employee turnover rate
PRC	23	15.6%
Hong Kong	2	50.0%
Total:	25	16.6%

¹ The turnover data in headcount was obtained from the Group's Human Resources Department based on the employment contracts entered into between the Group and its employees. Turnover rate was calculated by dividing the number of employees who resigned in FY2022 by the number of employees in FY2022. The methodology adopted for reporting on turnover data set out above was based on "How to Prepare an ESG Report — Appendix 3: Reporting Guidance on Social KPIs" issued by HKEx.

Working hours and rest period

The Group's policies related to working time and application for annual leaves apply to all employees. The Group monitors and manages the working hours of its employees in accordance with relevant laws and regulations through applying a punch-in system and compensating those who work overtime. In addition to statutory holidays, employees can also enjoy special leaves including maternal leave, medical leave, bereavement leave, etc.

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Equal-opportunity and anti-discrimination

The Group is committed to creating a fair, respectful and diverse working environment. As an equal opportunity employer, the Group's human resources and employment decisions put anti-discrimination and equal opportunities into consideration. Training and promotion opportunities, dismissals and retirement policies are determined irrespective of employees' gender, race, age, disability, family status, marital status, sexual orientation, religion beliefs, nationality or any other non-job-related factors in all business units. The Group has zero tolerance to any workplace discrimination, harassment or victimisation, thus has developed and implemented an equal opportunities policy, which is in line with the relevant laws and regulations, including but not limited to:

- Disability Discrimination Ordinance (Chapter 487 of the Laws of Hong Kong); and
- Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong).

The Group promotes good and friendly relationships within the organisation and strives to maintain smooth communications between general and managerial staff by encouraging candid communications and cooperation. The Administration Department and the Trade Union Committee are mainly responsible for employee relations and internal dialogues, thus they provide assistance to all staff members in improving job satisfaction, guaranteeing labour security, providing counselling services and handling grievances. Moreover, the Group engages with its employees through written or face-to-face surveys in order to create a working environment that treats every employee fairly. Employees can provide feedback to the Group without any concerns. The Group understands the opinions and suggestions from internal staff are highly valuable, thus they will be considered during decision-making processes of operation and management in the future.

Other benefits and welfare

In FY2022, the Group organised and arranged various events for its employees, such as team building activities and book reading and sharing sessions. Benefits including medical and catering subsidies, special holiday leaves and physical examinations are also provided to all staff, in addition to well-equipped dormitories for employees working in factories.

During the year under review, the Group was in compliance with relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other benefits that have a significant impact on the Group.

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B.2. Health and Safety

Law compliance

Protecting its employees' wellbeing and minimising their exposure to occupational health and safety risks has always been one of the Group's top priorities. The Group has been implementing a series of safety and health policies in order to provide and maintain a stable working environment. The internal policies are in line with national and local regulations relating to the workplace health and safety in the Group's operating regions, namely:

- Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong);
- Law of the People's Republic of China on the Protection of Production Safety (《中華人民共和國安全生產法》); and
- Regulation on Work-Related Injury Insurance (《工傷保險條例》).

Management approach

To minimise the risks of accidents in workplace and enhance employees' health and safety awareness, the Group developed a comprehensive mechanism and implemented effective policies regulating safety and labour practices following relevant standards, including GB/T29639-2013, GBZ 1-2010, GB12011-2009 and GB2811-2007. The Group has also set up a series of internal policies and guidelines, including the Fire Safety Management System (消防安全管理制), Engineering Safety Management System (工程安全管理制), Quality Management Manual (質量管理手冊), Accident Contingency Plan and Regular Drill Management System (事故應急預案及定期演練管理制) and Production Safety Emergency Plan (《生產安全事故應急預案》) to facilitate and sustain a safe working environment.

The General Manager Office is responsible for overseeing and supervising the implementation of internal health and safety policies, with the support and coordination of other departments under the accountability system. For instance, the fire safety manager holds the regular fire safety meeting, which second-level responsible persons, managers and heads of functional departments are required to participate. For the implementation and performance of safety control measures, such as the operation and maintenance of pressure vessels, are primarily supervised and regulated by local authorities including the Administration for Market Regulation and Economic Development Zone Management Committee.

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Regarding the management of occupational health and safety risks during operations, the Group has implemented various measures including:

- Provide suitable personal protective equipment to employees such as helmets, safety shoes, anti-freezing gloves and cotton anti-static gloves;
- Install and maintain fire equipment such as automatic smoke spray system and powder fire extinguishers;
- Implement an emergency management system with clear responsibilities being allocated and procedures being set up for handling any emergency. For example, the robust combustible gas leakage detection and alarm system was strictly designed according to the GB 50028 standard in order to monitor all relevant parameters of all sites continuously;
- Arrange annual emergency fire drills and set safety signs to enhance employees' safety awareness;
- Provide employment injury insurance for its employees and put common medicine boxes in accessible place.

Table 6 Number of work-related fatalities and lost days due to work injury of the Group in past three financial years ¹

Year	FY2022	FY2021	FY2020
Number of work-related fatalities	0	0	0
Lost days due to work injury	0	0	0

¹ The information about injury and fatality was obtained from the Group's Human Resources Department. The methodology adopted for reporting the number and rate of work-related fatalities set out above was based on "How to Prepare an ESG Report? — Appendix 3: Reporting Guidance on Social KPIs" issued by HKEx.

During the year under review, the Group complied with the relevant laws and regulations in relation to providing a safe working environment and protecting the employees from occupational hazards that have a significant impact on the Group.

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Actions in the Post-Pandemic era

The Group is committed to prioritising the health and safety of its employees, and strictly follows the measures and guidelines announced by the government. With the nationwide loosening of Pandemic restrictions in FY2022, measures such as keeping social distance and carrying out workplace disinfection were adopted by the Group, along with sending reminders to remind employees on paying attention to personal hygiene. Although face-to-face activities have started to resume under the “new normal” era, alternatives such as online conferences and face calls are still adopted under the circumstances in searching for a new way integrating Pandemic prevention and returning to normal life.

B.3. Development and Training

Management Approach

Improving the knowledge and skills of employees, thus enabling all staff to be competent for their jobs and continue to innovate have always been one of the Group’s focuses. The Group has adopted a multipronged approach to aligning the talent development with its business needs, while providing all employees with opportunities to meet their professional goals. The General Department of the Group is responsible for designing and organising training programmes, formulating annual training plans and coordinating various departments to implement training and examinations on a monthly basis. Moreover, various internal policies have been implemented to efficiently manage the development and training of employees, such as the Employee Training Management Measures (員工培訓管理辦法). Closely aligned to the principles of Enterprise-Oriented, Market-Oriented and Era-Oriented (面向企業、面向市場、面向時代), the Group has a comprehensive categorisation of training programmes, audience, training procedures and budget management.

All newly hired employees will be provided with comprehensive on-the-job training which helps them to better understand the company’s corporate culture, business processes, health and safety policies, vehicle management procedures and corporate development history. For experienced employees, various training programmes are offered by the Group to develop their working ability and build their career path. The Group also encourages its employees to strengthen their competitiveness and expand their capacity through life-long learning by attending external training programmes. In FY2022, the Group arranged various training programmes regarding health and safety, and management for its employees. In particular, at the Group’s natural gas distribution business, dangerous goods drivers are required to attend monthly training courses and pass the assessment before getting approval for work.

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Table 7 Number and Percentage of Employees Trained in the Group by Gender and Position Type in FY2022 ¹

Unit: Number of employees		Position		
Gender	General staff	Middle management	Senior management and directors	Total
Male	34	4	4	42
% of employees trained	58.6%	6.9%	6.9%	72.4%
Female	15	1	0	16
% of employees trained	25.9%	1.7%	0.0%	27.6%
Total	49	5	4	
% of employees trained	84.5%	8.6%	6.9%	
Total number of employees				151
Total number of employees trained				58
Total percentage of employees trained				38.4%

¹ The training information was obtained from the Group's Human Resources Department. Training refers to the vocational training that the Group's employees attended in FY2022. The methodology adopted for reporting on the number and percentage of employees trained set out above was based on "How to Prepare an ESG Report — Appendix 3: Reporting Guidance on Social KPIs" issued by HKEx.

Table 8 Training Hours Received by the Employees of the Group by Gender and Position Type in FY2022 ¹

Unit: Training Hours		Position		
Gender	General staff	Middle management	Senior management and directors	Total
Male	353	13	32	398
Average training hours	5.0	0.8	2.1	3.9
Female	60	4	0	64
Average training hours	1.5	0.5	0	1.3
Total	413	17	32	462
Average training hours	3.8	0.7	1.8	3.1

¹ The training information was obtained from the Group's Human Resources Department. The methodology adopted for reporting training hours set out above was based on "How to Prepare an ESG Report — Appendix 3: Reporting Guidance on Social KPIs" issued by HKEx.

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B.4. Labour Standards

Based on the principle of “System Regulation and Contract Regulation” (制度監管與合同監管), the Group strictly abided by the related labour laws and regulations in the PRC and Hong Kong to prohibit any kinds of child or forced labour in FY2022, including but not limited to:

- Employment Ordinance (Cap. 57 of the Laws of Hong Kong);
- Labour Law of the People’s Republic of China (《中華人民共和國勞動法》); and
- Labour Contract Law of the People’s Republic of China (《中華人民共和國勞動合同法》).

To combat illegal employment on child labour, underage workers and forced labour, the Group’s Human Resources Department requires all applicants to provide valid identification document including Identity Card, Household Register (if any) and Resume prior to the confirmation of employment, thus ensuring that all candidates are over 18 years old and lawfully employable. The Human Resources Department is responsible for monitoring and ensuring compliance with the latest laws and regulations that prohibit child labour and forced labour. The Group regularly reviews the human resources policies, thus the reporting mechanism is in place for monitoring and ensuring the compliance with relevant laws and regulations. The Group organises an annual onsite inspection of the administration and personnel, in which compensation and employment risks in last year are identified and evaluated. If any practice that fails to abide with the relevant labour laws, regulations or standards is found, the respective employment contract will be immediately terminated.

In FY2022, the Group complied with relevant laws and regulations in relation to the prevention of child and forced labour that have a significant impact on the Group.

B.5. Supply Chain Management

The Group always considers the environmental and social risks that might arise from its supply chain in forging and maintaining a sustainable and reliable value chain. Upholding its social responsibility, all operating subsidiaries of the Group strictly monitored, properly evaluated, and effectively managed its suppliers during the year under review in order to facilitate a resilient and secure supply chain.

In FY2022, there were a total 56 critical suppliers for the Group which were all located in the PRC.

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Management Approach

The Group has established the Supplier Evaluation Criteria (供方評定準則) for selecting suppliers through comprehensive evaluations and comparisons. The following are the main factors for the Group to take into consideration when assessing and prioritising the candidate suppliers:

- Quality of goods and services;
- Business license and previous track record;
- Market reputation;
- Quality management system;
- Production capacity;
- Technical parameters;
- Timely delivery;
- Financial performance; and
- Fulfilment of social and environmental responsibilities.

The Procurement Department of the Group is responsible for coordinating, managing, and monitoring supply-side issues. Various criteria, including quality, price, punctuality, as well as environmental regulation compliance, has been applied during selection and collaboration with suppliers in order to minimise the underlying environmental and social risks. Such initiative demonstrates the Group's determination and commitment to working with suppliers who respect and preserve the environment.

The Group has also adopted a proactive approach by formulating Measures for the Environmental Impacts of the Party (對相關方施加環境影響的管理辦法) in assessing, reviewing and managing its suppliers' practices. The Group will not partner with suppliers who violated relevant environmental regulations in the past or may cause detrimental environmental impacts during operations.

The Group builds and maintains a sound partnership with its suppliers through the internet, phone calls, and other means to ensure that all suppliers abide by applicable local laws and regulations and stick to its corporate ethics. In FY2022, all suppliers were supervised under the Group's supply chain management policies.

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Transmission and distribution of the natural gas business

Liquefied natural gas (“LNG”) is the main raw material used in the Group’s natural gas business. In general, the Group enters into a long-term gas supply contract and yearly supplemental agreement according to its actual demand with selected gas suppliers that are reliable on production capability and business reputation.

The Group has the overall responsibility on the sourcing of LNG from upstream suppliers, such as state-owned enterprises, and distributing products to customers for a wide range of uses including industrial, commercial, and household. The Group has set up Safety Plans and Emergency Plans, and maintained stable communications with its suppliers, thus ensuring that the quality of LNG conforms to the national standard of GB17820. The suppliers’ qualifications are being closely audited against well-defined criteria by the Group in order to manage the social and environment risks in its supply chain. Selected suppliers are required to provide a monthly “Natural Gas Quality Inspection Report” to the Group to prove that its operating practices and product quality meet the national and local laws and regulations.

Sales of heat and biomass gasification related products

This business segment mainly engages in central heating projects of parks by using biomass gasification technology, which requires rice husk as the main raw material for production. The steam produced will be transported through the pipelines to heat-using enterprises, while the used carbonised rice husks will be delivered to the steel mill by freight trucks for heat preservation of molten steel.

The Group pays high attention to the selection of raw materials, especially the moisture content and integrity of rice husk. By giving priority to large-scale and reputable rice processing factories, the Group strives to minimise the potential social and environmental risks as it purchases rice husk from those rice processing plants. The Group maintains sound communication with the rice processing factories through face-to-face meetings and phone calls. Strictly following its principles of “Openness, Fairness, Impartiality and Trustworthiness” and the requirements of the Raw Material Procurement Management System (原材料採購管理制度), the Group performs quality check on the rice husks produced and supplied by rice processing plants at the end of every year.

Moreover, the Group has developed and implemented a Green Procurement Policy to promote an environmentally friendly practice along its value chain by investigating the environmental impacts and production process of the rice processing factory. In FY2022, 7 of the Group’s key suppliers were being covered by its Green Procurement Policy.

All aspects from raw material procurement, transportation, use, production and sales are under the strict assessment and supervision of the Group’s various departments.

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B.6. Product Responsibility

Law compliance

To maintain a high level of reliability and robustness of the Group's products and services, the Group has adopted a proactive approach by continuously improving its facilities, personnel and management processes. In FY2022, the Group complied with laws, regulations and standards related to health and safety, advertising, labelling and privacy matters in the PRC and Hong Kong, including:

- Law of the People's Republic of China on Product Quality (《中華人民共和國產品質量法》);
- Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》);
- Law of the People's Republic of China on Road Traffic Safety (《中國人民共和國道路交通安全法》);
- Law of the People's Republic of China on the Protection of Production Safety (《中華人民共和國安全生產法》);
- Regulations on the Safety Administration of Dangerous Chemicals (《危險化學品安全管理條例》); and
- Natural Gas GB 17820-2018 (《天然氣》).

Management Approach

To ensure the Group's products and service responsibilities are fulfilled, the Group has been implementing a series of internal policies, including Operation Department Management Regulation (運營部管理規定), Engineering Management System (工程管理制度) and Quality Management Manual (質量管理手冊).

Product quality

The Group values the interests of its customers. The Sales Department is responsible for collecting customers' opinions on product quality, pricing and delivery services, thus the Group is able to monitor the satisfaction rate of its customers. In case of receiving a low score from the customer satisfaction surveys, the Group will initiate a comprehensive investigation, followed by corrective actions being made and precautionary policies being set up according to the requirements as listed in the Improvement Control Procedures (改進控制程序).

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Complaints

Feedback from clients is highly valued, and is normally being reported to the head office for substantiation. The substantiated complaints will be sent to respective departments given the types of feedback, followed by immediate corrective actions. The processing results are open to all employees and communicated timely with its clients.

In FY2022, the Group did not receive any complaint regarding product quality.

Advertising

The Group understands the importance of providing accurate marketing materials to its clients and the general public. A series of internal procedures has been established in accordance with applicable laws and regulations, thus any misrepresentation or exaggeration of products is strictly prohibited. The General Department is responsible for monitoring and verifying the legitimacy, completeness and preciseness of sales and marketing materials before publication, and taking corrective actions once any inconformity to the Group's policies is discovered.

Privacy matters

In compliance with the local privacy laws and regulations such as the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), the Group operates in accordance with its internal policies, including Customer Property Control Procedures (顧客財產控制程式) and File Management Regulation (檔案管理規定), to protect its customers' rights. The Financial Controller is responsible for implementing and monitoring the policies aforementioned. All personal data collected will only be used for the purposes as defined, while all employees are required to follow the regulations and strictly prohibited from disclosing any confidential information to external parties without customers' authorisation. All relevant employees have to enter into a non-disclosure agreement to protect the privacy of the Group's clients.

Intellectual property rights

During the year under review, the Group complied with the applicable laws and regulations in relation to intellectual property rights, including but not limited to:

- Patent Law of the People's Republic of China (《中華人民共和國專利法》);
- Trademark Law of the People's Republic of China (《中華人民共和國商標法》); and
- Patents Ordinance (Chapter 514 of the Laws of Hong Kong).

Adhering to the reporting principle of materiality, labelling is considered not material or applicable to the Group given its business nature, thus not discussed in detail in the Report.

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Transmission and distribution of the natural gas business

During operations, the Group strictly complied with Regulation on the Administration of Urban Gas (城鎮燃氣管理條例) and Standard for Construction of City Gas Station (城市燃氣場站建設規範). Upholding to its service principle of “Safety has no end, Unremitting efforts in Prevention” (安全沒有終點·防範常抓不懈), the Safety Operation Management Policy (安全運營部管理制度) is in place to assess the gas safety operations, which include station gas supply maintenance system, incident and hidden danger management, combustible gas leakage alarm management system and operational procedures for station workers and gas supply equipment.

The Group performs regular comprehensive safety inspections (綜合性安全檢查), such as indoor safety checks and comprehensive emergency rescue drills, to ensure gas safety and address the potential risks timely. Semi-annual anti-static testing and pressure safety testing are conducted on facilities at stations. Moreover, to ensure the safety and stability of gas delivery, a 24-hour monitoring system along with professional teams have been built by the Group for inspecting pipe network stability, preventing any leakages or system breakdown as well. The Group believes that maintaining communication with upstream suppliers to carry out regular inspections of pipelines, patrol systems and equipment maintenance is of paramount importance to safeguard the safety and quality of gas supplied to its customers.

Sales of heat and biomass gasification related products

Steam generation and transportation has been one of the major operations of the business segment of the Group. As such, the Group’s foundation on quality management is laid on “Understanding Users’ True Needs and Providing High-Quality Products and Services”. By entering into the “Steam Supply Contract”, the Group collaborates with its clients in which mutual agreement has been received upon confidentiality requirements. The Group has arranged line patrol personnel responsible for communicating with the production department of the client, and administrating the parameters of steam supply and usage.

In FY2022, the Group was in compliance with relevant laws and regulations regarding health and safety, advertising, labelling and privacy matters of its products and services that have a significant impact on the Group. No products are subjected to recalls for safety and health reasons. In view of its business nature and the principle of materiality, the Group considers labelling matters and product recall procedures are not applicable to its operations, therefore are not disclosed in this ESG Report.

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B.7. Anti-corruption

Law Compliance

To maintain a fair, ethical and efficient working environment, the Group strictly abided by the laws and regulations relating to anti-corruption and bribery in its operating regions, including:

- Anti-Corruption Law of the People's Republic of China (中華人民共和國反腐敗法);
- Law of the People's Republic of China on Anti-money Laundering (中華人民共和國反洗錢法);
- Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615 of the Laws of Hong Kong); and
- Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong).

During the year under review, the Group complied with relevant laws and regulations in relation to bribery, extortion, fraud and money laundering that have a significant impact on the Group.

Management Approach

Creating a fair, honest, open and standardised operation environment has always been the Group's commitment. The Group requires its employees and business partners to perform duties in compliance with the code of conduct. The Group has implemented a series of internal policies, including the "Employee Handbook" (員工手冊) and "Accounting Management System (往來賬務管理系統)", to standardise its employees' practices in embracing a working environment with integrity and honesty. The Financial Supervisor is responsible for reviewing and monitoring the implementation of anti-corruption policies in the Group.

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Whistle-blowers can report without the fear of reprisals or inappropriate reactions. For any suspected misconduct, they can report verbally or in writing to the Human Resources Department of the Group, or the General Manager directly with full details of the incident and supporting evidence. To protect the Group's interests, the Group makes investigations against any suspect or illegal behaviour. Where any crime is substantiated by the Group, a report will be submitted promptly to relevant regulators or law enforcement authorities when the management of the Group deems necessary.

In FY2022, the Group did not organise any trainings related to anti-corruption due to the restrictions caused by the Pandemic. The Group will continue planning to organise workshops and trainings for educating employees with relevant knowledge, thus combating corruption and creating a clean working environment. During the year under review, there are zero concluded legal cases regarding corrupt practices brought against the Group or its employees.

B.8. Community Investment

The Group is committed to operate ethically and contribute to local economic development, thus it is crucial for the Group to fulfil its corporate social responsibility. Being an enterprise which devotes to creating values to all, practising ethical values and showing respect for communities and the environment are the foundation of how the Group bases its transparent and burgeoning business development.

In FY2022, the Group did not organise or join any activities due to the restrictions brought by the Pandemic. Still, the Group is deeply aware of its role as a social enterprise. Continuing its contribution to the well-being of local communities and the society, the Group will further its work on progressing towards fundamental achievements and goals, thus exploring a systematic process for bringing more prosperity and positivity to communities.

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VII. REPORT DISCLOSURE INDEX

Aspects	ESG Indicators	Description	GRI Standards Alignment*	Page
A. Environmental				
A1: Emissions	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, and generation of hazardous and non-hazardous waste. Note: Air emissions include NO _x , SO _x , and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations	GRI 2-27, GRI 3-3 (c), GRI 305, GRI 306	11
	KPI A1.1	The types of emissions and respective emissions data.	GRI 305-1, 305-2, 305-3, 305-6, 305-7	12
	KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	GRI 305-1, 305-2, 305-4	12
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	GRI 306-3 (a)	11
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	GRI 306-3 (a)	12
	KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	GRI 3-3 (c, d), GRI 305-5	22, 23
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	GRI 3-3 (c, d), GRI 306-4, 306-5	15, 23

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Aspects	ESG Indicators	Description	GRI Standards Alignment*	Page
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	GRI 3-3 (c)	16
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	GRI 302-1, 302-3	17
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	GRI 303-5	17
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	GRI 3-3 (c, d), GRI 302-4, 302-5	22, 23
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	GRI 3-3 (c, d), GRI 303-1	20, 22, 23
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	GRI 301-1	16
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	GRI 3-3 (c)	22, 23
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	GRI 3-3 (c, d), GRI 303-1, GRI 304-2, GRI 306-1, 306-2	22, 23
A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	GRI 2-12 (a, b-i), GRI 3-3 (c)	24
	KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	GRI 201-2	24

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Aspects	ESG Indicators	Description	GRI Standards Alignment*	Page
B. Social				
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.	GRI 2-27, GRI 3-3 (c)	25, 26, 29
	KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	GRI 2-7 (a, c), GRI 405-1 (b)	25, 26
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	GRI 401-1 (b)	28
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.	GRI 2-27, GRI 3-3 (c), GRI 403-1	30, 31
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	GRI 403-9, 403-10	31
	KPI B2.2	Lost days due to work injury.	N/A	31
	KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	GRI 3-3 (c, d), GRI 403-1, 403-3, 403-5, 403-7	30, 31

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Aspects	ESG Indicators	Description	GRI Standards Alignment*	Page
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer	GRI 3-3 (c), GRI 404-2 (a)	32
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	N/A	33
	KPI B3.2	The average training hours completed per employee by gender and employee category.	GRI 404-1	33
B4: Labour Standards	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 preventing child and forced labour.	GRI 2-27, GRI 3-3 (c)	34
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	GRI 3-3 (c), GRI 408-1 (c), GRI 409-1 (b)	34
	KPI B4.2	Description of steps taken to eliminate such practices when discovered	GRI 3-3 (c, d), GRI 408-1 (c), GRI 409-1 (b)	34

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Aspects	ESG Indicators	Description	GRI Standards Alignment*	Page
Operating Practices				
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	GRI 3-3 (c)	35
	KPI B5.1	Number of suppliers by geographical region.	GRI 2-6 (b-ii)	34
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	GRI 2-6 (b-ii), GRI 3-3 (c, d), GRI 303-1 (c), GRI 308-1, 308-2, GRI 414-1, 414-2	35, 36
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	GRI 2-6 (b-ii), GRI 3-3 (c, d), GRI 303-1 (c), GRI 308-1, 308-2, GRI 414-1, 414-2	35
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	GRI 3-3 (c, d)	36
B6: Product Responsibility	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.	GRI 2-27, GRI 3-3 (c), GRI 417-2, 417-3, GRI 418-1	37, 39
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A	39
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	GRI 2-29, GRI 3-3 (c, d), GRI 418-1	38
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	N/A	38
	KPI B6.4	Description of quality assurance process and recall procedures	N/A	37
	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	GRI 3-3 (c)	38

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Aspects	ESG Indicators	Description	GRI Standards Alignment*	Page
B7: Anti-corruption	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	GRI 2-27, GRI 3-3 (c), GRI 205-3	40
	KPI 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	GRI 205-3	41
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	GRI 2-26, GRI 3-3 (c), GRI 205	40, 41
	KPI B7.3	Description of anti-corruption training provided to directors and staff.	GRI 205-2	41
Community				
B8: Community Investment	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 the communities' interests.	GRI 3-3 (c)	41
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	GRI 203-1 (a)	41
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	GRI 201-1(a-ii)	41

* The linkage between the GRI standards and disclosures that relate to each aspect in HKEX ESG Reporting Guide refers to the summary table from the 'Linking the GRI Standards and HKEX ESG Reporting Guide' (updated July 2020), with amendments from the GRI Universal Standards 2021