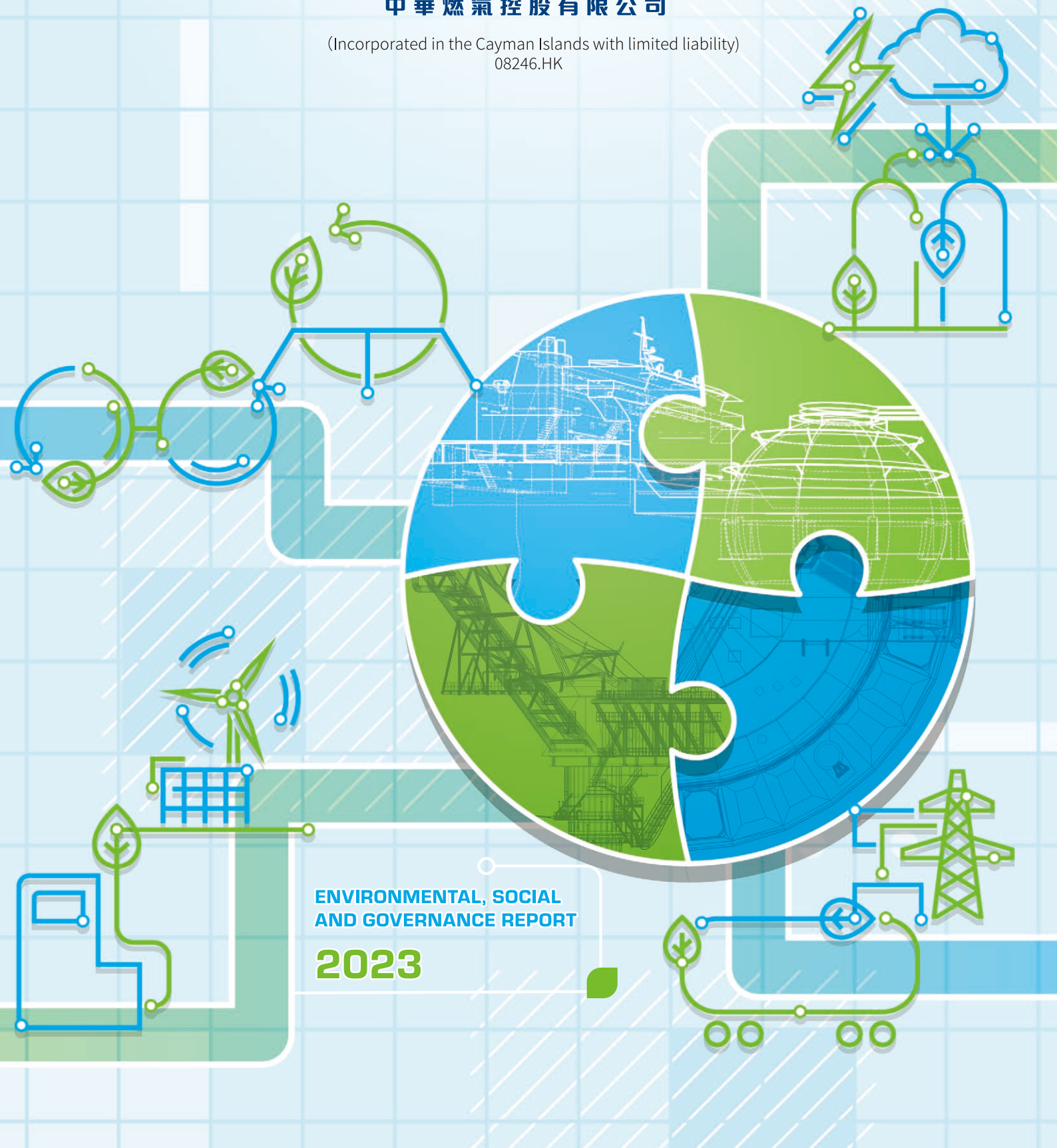




# Zhonghua Gas Holdings Limited 中華燃氣控股有限公司

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



ENVIRONMENTAL, SOCIAL  
AND GOVERNANCE REPORT

2023



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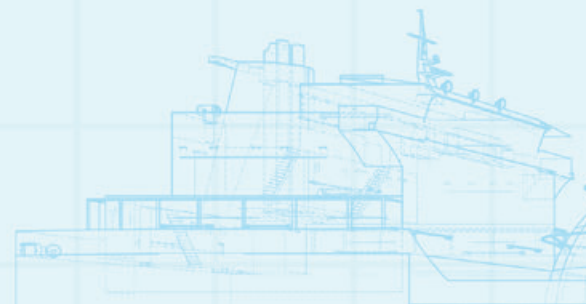
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## DEFINITIONS

"COVID-19"	Coronavirus disease 2019;
"Director(s)"	the director(s) of the Company;
"ESG"	environmental, social and governance;
"ESG Reporting Guide"	the Environmental, Social and Governance Reporting Guide under Appendix C2 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited;
"GEM"	The GEM of the Hong Kong Stock Exchange;
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China;
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"KPI(s)"	key performance indicator(s);
"Mainland China" or "China"	The People's Republic of China, for the purposes of the Report and for geographical references only, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan are not included;
"Reporting Period"	1 January 2023 to 31 December 2023;
"Subsidiary(ies)"	a company that is then and from time to time a subsidiary of the Company (as defined in the Companies Ordinance);
"the Board"	the Board or duly authorized thereof;
"the 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;
"the Report"	the eighth Environmental, Social and Governance Report issued by the Group;
"Year"	during financial year;
"Zhonghua Gas" or "the Group" or "we"	the Company and its subsidiaries; and
"%"	percentage.



## ABOUT ZHONGHUA GAS

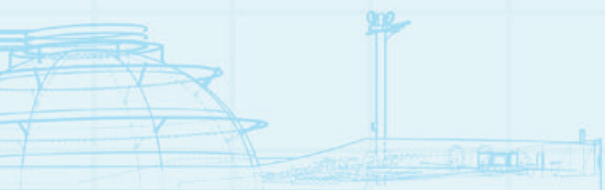


Zhonghua Gas Holdings Limited (the "Company", together with its subsidiaries, collectively known as "Zhonghua Gas" or the "Group" or "we") is an investment holding company listed on the GEM of The Stock Exchange of Hong Kong Limited in 2011. The Group's principal businesses are:

- the provision of diverse integrated 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 sales of LNG ("Energy Business"); and
- the leasing of investment properties located in Shanghai, China ("Property Investments").

During the year, the Group's revenue was mainly derived from the Energy Business which includes LNG supply and management of the clients' LNG supply stations. Riding on the easing of COVID-19 pandemic and lifting of travel restrictions by the PRC government, the Group has immediately commenced engagements with existing and potential business partners. The strategic cooperation with Jiangsu Shagang Group Co., Ltd. has come into operation since April 2022 through supply of LNG to the partner and management of its LNG supply stations. We expect the revenue contribution to increase when the operational scale is built up. We will also maintain strategic cooperative relationships with certain substantial partners and continue to explore new business opportunities. Zhonghua Gas will capitalize on the immense growth potential in the energy sector in China and its advantageous market position to generate additional revenue streams. For the property investment business, the Group will continue to identify high yield property investment opportunities to provide the Group with steady and long-term rental income for stable and long-term returns to the shareholders.

Going forward, the Group plans to concentrate its resources to develop the Energy Business by proactively expanding the LNG supply business, while continuing to identify and partner on suitable projects to diversify our portfolio, to develop into a leading diversified and integrated energy supplier in the Greater China Region and "One Belt One Road".





## MESSAGE FROM THE MANAGEMENT

In 2023, various industries and the society are still suffering from the prolonged damages of the COVID-19 pandemic on the economy, while facing challenges such as climate change and energy crisis. Amid difficulties, Zhonghua Gas upholds its operational and governance standards and is committed to developing and expanding the Energy Business.

Zhonghua Gas has always regarded stakeholders' views as the basis and motive for improving our development strategies. During the year, we continued to maintain interaction with stakeholders from various perspectives through diversified communication channels, and collected their suggestions on the Group's sustainable development strategies and directions, so as to improve our ESG measures and policies and bring long-term and mutual benefits to the Group and our stakeholders.

In addition, Zhonghua Gas has established an ESG governance structure to effectively manage the Group's ESG policies, measures, performance and goals. This helps us to identify ESG risks and opportunities relevant to the Group, establish corresponding systems in response to risks promptly, and capture opportunities conducive to the Group's business, thereby strengthening corporate risk resilience and promoting sustainable development.

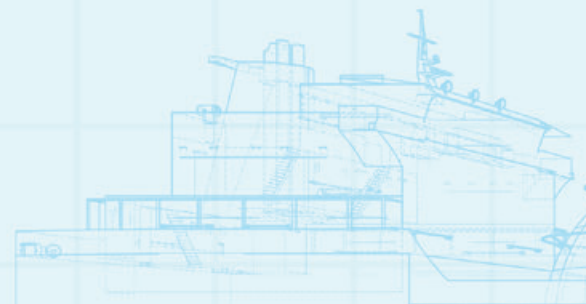
The Group is engaged in the Energy Business and believes LNG is an indispensable energy alternative in facilitating the green energy process. As the report to the 20th National Congress of the Communist Party of China emphasized the importance of "energy security" and the need to step up the exploration and development of natural gas resources and capacity building for reserves and production, to build a new energy system and steadily advance the carbon neutrality plan. Echoing national policies, we are committed to promoting the application of LNG and new energy, while emphasizing the stability of supply. At the same time, we value safety management during the LNG supply process and strictly regulate safety measures at LNG supply stations. Also, to minimize our negative impacts on the environment, we implement relevant measures to reduce carbon emissions and pollutant emissions etc.

Human resources are Zhonghua Gas's important asset. We fulfill corporate social responsibilities and are committed to safeguarding the safety, health and welfares of our employees. We have signed the "Mental Health Workplace Charter" to demonstrate our commitment to enhancing the mental health of employees. Meanwhile, we have been continuously optimizing our employees' retirement protection over the years, and have been recognized as "Good MPF Employer 5 Years+" and received the "e-Contribution Award".

In 2024, we will continue to align with the national energy development and transition plans, concentrate on developing and expanding the scope of the Energy Business, and work towards the goal of becoming a leading diversified and integrated energy services provider in the Greater China Region and "One Belt One Road".

Finally, the Board would like to take this opportunity to express its heartfelt gratitude to all employees for their efforts, contribution and support, and our business partners, clients and shareholders for the continuous trust and support.

The Board of Zhonghua Gas Holdings Limited





## PROMOTING SUSTAINABLE DEVELOPMENT



Sustainable development is one of the cores of the Group. We are committed to integrating the concept of sustainability into daily operations, corporate management and decision-making:

Our ESG Working Group will begin to gradually study the establishment of environmental, social, and governance performance indicators.

We set out sustainable development goals starting from employee training, and commit to formulating action plans through participating in charter signing, we promote them to various stakeholders, including employees.

Our office in Hong Kong signed the "Food Wise Charter" and "Energy Saving Charter 2023" to encourage the implementation of environmental protection measures within the Group.

We continue to fulfil our social responsibilities, pay attention to the welfare of employees, promote a healthy working environment, and signed the "Mental Health Workplace Charter" and the "Joyful@Healthy Workplace Charter" to commit to taking action to promote mental health in the workplace.

During the Reporting Period, we were accredited as "Good MPF Employer 5 Years+" and received the "e-Contribution Award" respectively.



**"Mental Health Friendly Organisation"**  
"Mental Health Workplace Charter"



**"Joyful@Healthy Workplace Charter"**



**"Good MPF Employer 5 years+"**  
"e-Contribution Award"



**"Food Wise Charter"**



**"Energy Saving Charter 2023"**



## ABOUT THE REPORT

Zhonghua Gas Holdings Limited is pleased to publish its eighth Environment, Social and Governance (“ESG”) Report (the “Report”). To enable stakeholders to understand the Group’s goals and strategies in sustainable development, the Report discloses our key ESG performance indicators and visions of measures.

### REPORTING SCOPE

The Report covers the Group’s performance from 1 January 2023 to 31 December 2023 (“Reporting Period”). Considering the Group’s major source of revenue, the Report covers the operations relevant to the Energy Business in the financial year (“the Year”), including:

- The Energy Business in Tianjin and Shanghai in Mainland China; and
- The office in Hong Kong.

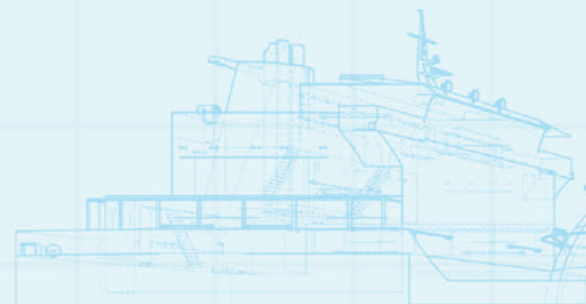
The scope of environmental and social performance data disclosed in the Report is only applicable to the Energy Business in Tianjin and Shanghai.

### DATA AND DOCUMENT PREPARATION OF THE REPORT

The Group examines all information and data presented in the Report to ensure a certain extent of accuracy and reliability of information in the Report. The Group confirms that all information cited in the Report is derived from the Group’s official documents, statistics and other management and operational data.

### REPORTING PRINCIPLES

The Report is prepared following Appendix C2 “Environmental, Social and Governance Reporting Guide” (the “ESG Reporting Guide”) of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited, and discloses environmental and social key performance indicators (“KPIs”) according to its “mandatory disclosure requirements” and “comply or explain” provisions, to help stakeholders understand our ESG performance during the Reporting Period. For an overview of the disclosure of the indicators, please refer to the ESG Reporting Guide Content Index of the Report. The Report is prepared following the reporting principles set out in the “ESG Reporting Guide”, including materiality, quantitative, balance and consistency. Details are shown in the chart below:





## ABOUT THE REPORT



### Materiality

The Group collects stakeholders' views on our ESG governance through diversified communication channels, and conducts internal materiality assessments to identify ESG issues that are material to the Group. Material ESG issues and their importance are disclosed in the Report in the form of a list, and each issue is also highlighted in the Report.

### Quantitative

Where feasible, the Group records and discloses environmental and social data quantitatively. The Group also engages a sustainability consultant to calculate relevant key performance indicators according to "How to Prepare an ESG Report" "Appendix 2: Reporting Guidance on Environmental KPIs" and "Appendix 3: Reporting Guidance on Social KPIs"

### Balance

The Report objectively discloses the Group's overall environmental, social and governance performance during the Year as well as the impact of business operations on the environment and community, to assist stakeholders in making decisions and judgments.

### Consistency

The Group uses consistent statistical methods to allow meaningful comparisons of ESG data over time. In case there are any changes in methodology and reporting scope, they will be explained in remarks for stakeholders' reference.

## REPORT CONFIRMATION AND APPROVAL

The Report has been reviewed and approved by the Board on 26 March 2024.

## REPORT VERSIONS AND ACQUISITION

The Report is published in both Chinese and English electronic versions and has been uploaded to the "HKEXnews" website of the Hong Kong Stock Exchange and the Company's website ([www.8246hk.com](http://www.8246hk.com)). Should there be any discrepancy or conflict between the Chinese and the English versions, the Chinese version shall prevail.

## CONTACT AND ENQUIRY

The Group values stakeholders' opinions. We welcome and encourage stakeholders to provide suggestions or views on the Report or the Group's sustainable development strategies. If you have any enquiries or feedback, please contact us through the following method:

Email address: [info@8246hk.com](mailto:info@8246hk.com)



## RISK MANAGEMENT

The Group has implemented effective risk management through establishing an enterprise risk management framework. The following are the Group's main risks and their changes:

Risk	Description	Internal Control Measures	Change
Market Competition	The natural gas market in Mainland China is constantly changing. The "X+1+X" reform is steadily advancing, forming diversified upstream resources, centralized transportation at the intermediate unified pipeline facilities, and fierce competition and price fluctuations in the downstream LNG sales market, resulting in lower profit margins.	<ul style="list-style-type: none"> <li>The Group actively seeks opportunities to expand its business scope and develop the Energy Business in other northern regions and the Yangtze River Delta region to lower risks.</li> <li>The Company keeps abreast of market trends and maintains cooperative relationships with upstream suppliers, utilizing seasonal LNG price fluctuations to reduce the economic impact of supply growth.</li> </ul>	Unchanged
Changes in Government Policies	<p>The national 14th Five-Year Plan and 20th National Congress emphasized the importance of low-carbon transition and energy security strategies. Energy security is the key to the oil-to-gas substitution. The government will coordinate the construction of national underground gas storage facilities, LNG terminals and other gas storage facilities to improve the peak-shaving capability of the natural gas pipeline network during the guaranteed supply period.</p> <p>China has successively introduced relevant policies and plans to promote the growth of the natural gas industry. However, relevant policies and regulations may be gradually tightened at the same time to improve the overall planning, which may increase the operating costs of our business.</p>	<ul style="list-style-type: none"> <li>The management closely follows the dynamics of relevant policies and adjusts the business following relevant policies promptly.</li> <li>Increase the types of services the Group can provide to diversify risks.</li> <li>Conduct sales structure analysis in advance, optimize client structure, and strengthen LNG sales.</li> </ul>	Unchanged

## RISK MANAGEMENT

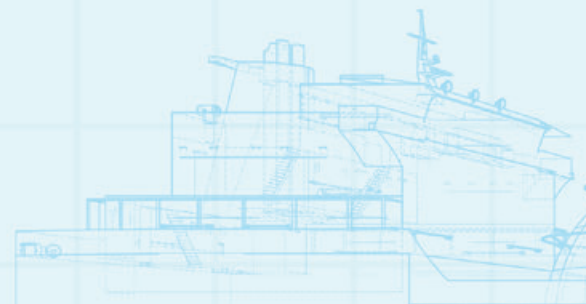


Risk	Description	Internal Control Measures	Change
<p>COVID-19 Pandemic</p>	<p>In 2023, the easing of the pandemic, the relaxation of pandemic prevention policies and measures in Mainland China, coupled with the full resumption of outbound travels, has reduced the impact of regional lockdowns on the Group's business. At the same time, the health risks of COVID-19 on employees have also decreased.</p>	<ul style="list-style-type: none"> <li>• The management closely monitors relevant news, information, and policy changes, and adjusts the Group's business strategies, pandemic prevention measures, and work arrangements promptly.</li> <li>• Arrange some audit activities, client meetings, contract negotiations, etc. via telephone conferences or video conferences depending on the situation.</li> <li>• Strengthen office cleaning.</li> </ul>	<p>Decrease</p>
<p>Health and Safety</p>	<p>As the Company's main business involves LNG, its safety management is very important. If any accident happens during operation, it may lead to severe safety incidents and losses, thus affecting the Group's operational performance.</p> <p>At the same time, the State is also promoting optimization of gas storage facilities planning and construction, and the safety supervision of natural gas pipelines may be further tightened, and may propose intelligent upgrades and legislation for gas station safety management in the future, which may further increase the Group's operating costs.</p>	<ul style="list-style-type: none"> <li>• The Company's operations and on-site operations strictly comply with the relevant laws and regulations on hazardous chemicals in China and the Group's relevant operating specifications.</li> <li>• Strengthen equipment and facility operation and maintenance management to improve equipment management level and ensure equipment integrity rate.</li> <li>• Employ professionals with qualifications and improve employees' safety awareness through training etc.</li> <li>• Timely warning of abnormalities through the self-control monitoring system to ensure 100% monitoring rate of important production operations.</li> <li>• Formulate the "Emergency Plan" to continuously improve the business capabilities of teams at all levels such as dispatching operation, on-site operation, patrol, repair and maintenance.</li> </ul>	<p>Unchanged</p>



## RISK MANAGEMENT

Risk	Description	Internal Control Measures	Change
Environmental Protection	<p>Regarding environmental protection, the Company needs to comply with the laws and regulations issued by local environmental protection bureaus and other regulatory agencies in China, otherwise it may lead to the shutdown of relevant non-compliant businesses by environmental protection bureaus until rectification is completed and may be subject to administrative penalties. The Company needs to pay corresponding taxes on taxable pollutants, waste and noise. If the Company does not have corresponding energy conservation and emission reduction measures, it may cause the Company to pay high environmental protection taxes.</p>	<ul style="list-style-type: none"> <li>The Company complies with local regulatory agencies' laws and regulations, and conducts internal inspections from time to time to reduce the possibility of violating laws and regulations.</li> <li>The Company establishes environmental protection specifications for the projects, which are organized by the management and require all employees to follow; at the same time, environment-related key performance indicators are set up in the projects and completed by project participants.</li> </ul>	Unchanged





## RISK MANAGEMENT

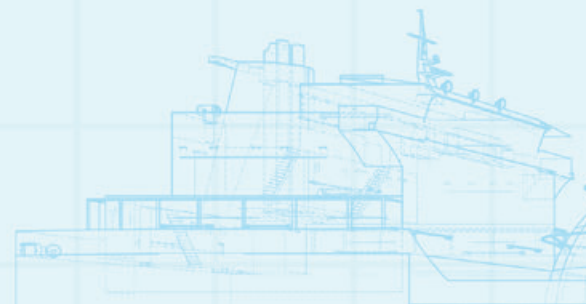


Risk	Description	Internal Control Measures	Change
Supply Chain	<p>The huge increase in demand for natural gas during winter may lead to supply shortages, affecting coal-to-gas, gas supply, heating and other services. Insufficient supervision of subsuppliers may affect our direct suppliers and our business. If the Group relies excessively on a small number of major suppliers, it may increase the risks of supply chain disruption and difficulty in controlling LNG procurement prices. In the procurement process of working closely with other LNG suppliers, the Group may incur additional costs due to regulations on natural gas pipeline transportation, quality testing, etc., which may adversely affect our business.</p>	<ul style="list-style-type: none"> <li>• Conduct rigorous evaluation when selecting suppliers and engineering contractors.</li> <li>• Outsourcing contract terms are reviewed by project managers and internal or external legal counsel to ensure clear and unambiguous party responsibilities.</li> <li>• Arrange for person in charge of the project to regularly inspect the quality and performance of suppliers and engineering contractors on project sites to ensure their products and services meet the Group's requirements.</li> <li>• Seek multiple stable LNG suppliers to avoid a single supplier monopolizing the Company's supply chain.</li> <li>• Make reasonable forecasts of future sales volumes, stock up LNG in advance based on expected sales volume, and reserve during seasons with lower prices, to cope with unexpected price and supply fluctuations.</li> <li>• Stabilize the number of suppliers and LNG prices through seeking temporary supply chain solutions, signing guaranteed supply agreements, etc.</li> <li>• Cooperate with the Company's direct suppliers to effectively supervise subsuppliers and reduce the impact of subsuppliers on the business.</li> </ul>	Unchanged



## RISK MANAGEMENT

Risk	Description	Internal Control Measures	Change
Human Resources	Human resources are the cornerstone of the Group's operations. If the Group fails to attract, develop or retain sufficient key personnel (such as management, project engineers, chief engineers, etc.), and fails to implement appropriate training programs, it may affect the Group's normal operations or product and service quality, or fail to support the Group's development plans.	<ul style="list-style-type: none"> <li>• Maintain a healthy and positive working environment.</li> <li>• Regularly review employee benefits.</li> <li>• Conduct human resources planning and replenish manpower shortages in advance.</li> <li>• Formulate reasonable employee training programs to ensure employees meet operational and regulatory requirements.</li> </ul>	Unchanged
Exchange Rate	The Group holds assets and liabilities denominated in HKD and RMB. Fluctuations in foreign exchange rates may result in exchange losses for the Company.	<ul style="list-style-type: none"> <li>• Continuously monitor exchange rate risks and formulate relevant response policies.</li> <li>• Conduct sensitivity analysis regularly to quantify relevant risks.</li> </ul>	Unchanged



## RISK MANAGEMENT

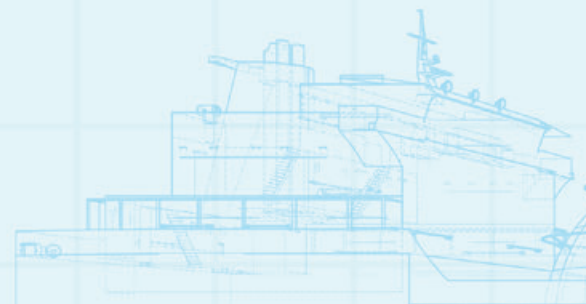


Risk	Description	Internal Control Measures	Change
Credit Risk	<p>Due to changes in the economic environment caused by the COVID-19 pandemic, the Group's clients face financial difficulties and cash flow constraints, slowing down repayments.</p>	<ul style="list-style-type: none"> <li>Each business unit manages client credit risk following the Group's established policies, procedures and controls regarding client credit risk management.</li> <li>To minimize credit risk on trade receivables, the Group's management has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts and that each client's situation is closely monitored. Credit investigations are performed on all clients exceeding a specific credit amount on a regular annual basis.</li> <li>In addition, at the end of the Reporting Period, the Group's management reviews the recoverable amount of each individual debt to ensure that adequate impairment losses are made for irrecoverable trade receivable amounts. We have also increased the headcount of the collection team to ensure smooth collection procedures.</li> <li>The Group applies the simplified approach for providing for expected credit losses prescribed by IFRS 9.</li> </ul>	Unchanged



## RISK MANAGEMENT

Risk	Description	Internal Control Measures	Change
Climate Change	<p>Climate change leads to more frequent and intensified extreme weather. Abnormal weather such as extreme high and low temperatures and torrential rains can easily cause varying degrees of damage or even destruction to gas station infrastructure (such as transport pipelines), which may increase the risks of safety accidents and rising repair costs. Frequent extreme weather also adversely affects employees' commuting.</p>	<ul style="list-style-type: none"> <li>The Group has developed emergency response procedures and employee work guidelines for responding to extreme weather in the contingency plans, and regularly conducts safety inspections and rectifications on gas station facilities to safeguard the overall business operations.</li> <li>In the future, we will research on strengthening the climate resilience of supply systems and further identify the physical and transitional risks of climate change to the Group.</li> </ul>	<p>Unchanged</p>





## GOVERNANCE FOR SUSTAINABLE DEVELOPMENT



### GOVERNANCE STRUCTURE

Governance structure is the foundation for the steady growth of a company. In addition to maintaining good corporate governance for business practices and creating long-term value for stakeholders, we also implement sustainable development elements. The Board of the Group has established an ESG Working Group (the "Working Group") composed of the Company Secretary, the Human Resources Department, and representatives from the General Management Department in Tianjin and Shanghai, respectively. As the coordinator of the ESG Working Group, the Company Secretary coordinates various departments to implement the ESG management policies formulated by the Board. The ESG Working Group oversees policies, measures and effectiveness relating to sustainable development issues, and assists the Board in making decisions. We will continue to optimize and enhance the ESG governance structure to integrate the values of sustainable development at the corporate level. In addition, the Group has appointed Riskory Consultancy Limited as a consultant to provide consultancy services on ESG and sustainable development.

#### The Board of Directors

Responsible for overseeing and formulating the Group's overall ESG strategies:

- Holds ESG Governance Meetings; and
- Manages ESG risks and internal control system.

#### The ESG Working Group

Assists the Board in supervising and implementing the following ESG-related management policies:

- Oversees ESG policies, measures and evaluates their effectiveness;
- Identifies and discusses ESG risks and opportunities in the business and makes suggestions for improvement;
- Regularly reports to the Board on ESG industry trends and updates of laws and regulations; and
- Conducts and coordinates communication with stakeholders to promote sustainability work.

The Report mainly outlines the Group's governance structure, relevant responsibilities and duties of the Board regarding ESG. Regarding the governance responsibilities and scope of authority undertaken by the Board and its remuneration committee, audit committee and nomination committee in other areas of the Group's work, the Group has complied with the "Corporate Governance Code" in Appendix C1 of the GEM Listing Rules of the Hong Kong Stock Exchange. Relevant procedures and norms have been formulated and disclosed in the "Corporate Governance Report" section of the 2023 Annual Report.



## GOVERNANCE FOR SUSTAINABLE DEVELOPMENT

### STAKEHOLDER ENGAGEMENT

Stakeholders refer to groups and individuals who have a significant impact on the business or may be impacted by the business. Stakeholders play an indispensable role in our way to sustainability. Therefore, the Group actively communicates with them and establishes diversified communication channels, including face-to-face meetings, regular exchange meetings, direct mail and hotlines etc. We attach importance to establishing effective and two-way communication mechanisms with internal and external stakeholders. By collecting stakeholder opinions, we can formulate policies and measures effectively to respond to their needs, which helps us establish a comprehensive sustainable development strategy. The Group's main communication channels with stakeholders are detailed below:

#### Stakeholder Groups Communication Channels



##### Investors and Shareholders

- Periodic financial statements
- General meeting
- Announcements and circulars
- Company website and publications



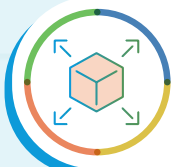
##### Clients

- Company website and publications
- Announcements
- Email and client service hotline



##### Employees

- Internal meetings
- Training programs
- Intranet and emails
- Performance appraisals



##### Suppliers

- Supplier on-site visits
- Business conferences
- Supplier evaluations



##### Government and Regulatory Authorities

- On-site inspections of operating locations
- Daily reporting and documentation
- Working meetings



##### Community

- Charity and public welfare activities
- Volunteer service
- Company website and publications

## GOVERNANCE FOR SUSTAINABLE DEVELOPMENT



### MATERIALITY ASSESSMENT

To identify ESG issues that are important to the Group as a reference for formulating sustainable development policies and measures, and to be highlighted in the Report, we conducted an internal materiality assessment during the Reporting Period. It takes into account the Group's operation situation and stakeholders' concerns, and confirms the ranking of material issues based on the assessment results. To ensure that the Report can accurately and objectively reflect our environmental, social and governance performance during the Reporting Period, we have engaged an independent sustainability consultant to assist the Group in the following materiality analysis process:

#### 1. Identification and Review of Material Issues

Zhonghua Gas took the materiality assessment results in 2022 as the basis to review the applicability of the material issues and their ranking in reflecting ESG-related risks and opportunities faced by the Group. We also considered factors such as requirements of monitoring authorities, international standards and industry trends, including:

- Requirements of the ESG Reporting Guide of the Hong Kong Stock Exchange;
- The Group's actual operational conditions during the Reporting Period;
- Stakeholders' expectations and opinions;
- Issues recommended for disclosure by international professional bodies for gas facilities and energy distribution/industry (including MSCI and the Sustainability Accounting Standards Board); and
- Material issues disclosed in ESG reports of industry peers.



#### 2. Revision of Issues and Adjustment of Priorities

The Group's management made adjustments and revisions to the 2022 list of material issues and priority ranking after considering the above factors.



#### 3. Responding to Material Issues

Confirm sustainable governance strategies and disclosure focuses in the Report based on materiality ranking for the Year.





## GOVERNANCE FOR SUSTAINABLE DEVELOPMENT

### MATERIAL ISSUES AND THEIR LEVEL OF IMPORTANCE DURING THE REPORTING PERIOD

Environmental Protection and Green Operation	Operational Practice	Product and Service Responsibility	Working Environment Quality	Community Contributions
1. Risks and opportunities related to climate change	9. Anti-fraud and corruption (including the provision of anti-corruption trainings)	13. Product and service safety	17. Occupational health and safety	22. Participation in or organize volunteer activities
2. Greenhouse gas emissions	10. Risk management	14. Product development and innovation	18. Training and development	23. Charitable donation
3. Exhaust gas emissions	11. Supply chain management (including assessing suppliers' environmental and social performance)	15. Product and service quality (including client satisfaction and complaint handling)	19. Protection of employees' human rights	
4. Waste management (including hazardous and non-hazardous waste)	12. Crisis or emergency handling	16. Client privacy protection	20. Equal opportunities, diversity and anti-discrimination	
5. Development of clean energy			21. Prevention of child labour and forced labour	
6. Protection of biodiversity				
7. Effective use of resources				
8. Energy and water conservation				



## GOVERNANCE FOR SUSTAINABLE DEVELOPMENT



Zhonghua Gas has formulated the following list detailing the importance of each issue after considering and balancing the importance of various ESG issues to the Group and stakeholders:

Level of Importance	Area of the ESG Material Topics	Name of the ESG Material Topics
Most Important	Environmental Protection and Green Operation	1. Risks and opportunities related to climate change
		2. Greenhouse gas emissions
	Operational Practice	9. Anti-fraud and corruption (including the provision of anti-corruption trainings)
	Product and Service Responsibility	13. Product and service safety
	Working Environment Quality	17. Occupational health and safety
18. Training and development		
Relatively Important	Environmental Protection and Green Operation	3. Exhaust gas emissions
		4. Waste management (including hazardous and non-hazardous waste)
		5. Development of clean energy
		6. Protection of biodiversity
		7. Effective use of resources
		8. Energy and water conservation
	Operational Practice	10. Risk management
		11. Supply chain management (including assessing suppliers' environmental and social performance)
		12. Crisis or emergency handling
	Product and Service Responsibility	14. Product development and innovation
		15. Product and service quality (including client satisfaction and complaint handling)
		16. Client privacy protection
	Important	Community Contributions
23. Charitable donation		



## ZHONGHUA GAS AND OPERATIONS

### ANTI-FRAUD AND CORRUPTION

#### Material Topic 9

Zhonghua Gas' operations emphasize integrity and honesty. The Group promotes business ethics culture internally and adopts zero tolerance towards any bribery, extortion, fraud and money laundering, to maintain good and ethical governance level. The Group complies with relevant laws and regulations in Hong Kong and Mainland China, including but not limited to:

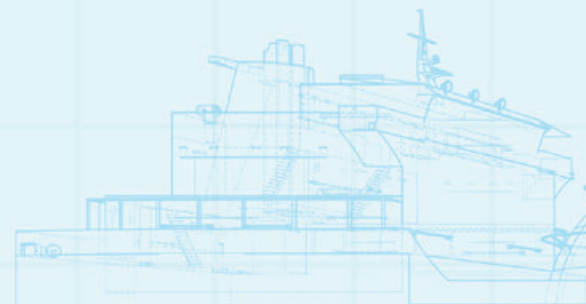
- Cap. 201 of the Laws of Hong Kong "Prevention of Bribery Ordinance"; and
- "Anti-Money Laundering Law of the People's Republic of China".

The Group's "ESG Regulations" stipulate the commitment to prohibiting bribery, extortion, fraud and money laundering. The "Employee Handbook" also sets out the codes of conduct that employees must comply with. During the Year, the Group was not aware of any cases of violations of relevant laws and regulations, and no corruption lawsuits were filed against the Company or our employees.

The Group has established a whistleblowing policy to ensure that we can detect and correct any suspected unethical practices such as bribery and corruption early on, which helps maintain good corporate governance. The policy lists the responsibilities of relevant personnel, channels and guidelines for employees or related third parties to report. We ensure that the identities of all whistleblowers and the content of their reports are kept strictly confidential to prevent retaliation, and we are committed to handling related reports promptly.

We have formulated provisions for entertaining guests and business dinners due to business needs, clearly listing the preset upper limit of per capita expenses. We strictly prohibit all employees from soliciting, accepting or offering bribes, or receiving any benefits and overly luxurious hospitality when performing their duties for the Group. In any situation where there is a conflict of interest, we require employees to report to their supervisor or superior using the "Conflict of Interest Declaration Form". If any violations of regulations and disciplines are discovered, the Group will take disciplinary action following relevant provisions in the "Employee Handbook", and transfer the case to judicial authorities for handling if necessary. Regarding the supply chain, the Group also has relevant requirements for suppliers, requiring them to formulate anti-corruption-related policies and increase transparency in business activities. The Group and suppliers should conduct due diligence when selecting contractors or third party suppliers to ensure that they comply with the code requirements of the "ESG Regulations" and anti-corruption laws and regulations.

To increase directors' and employees' understanding of anti-corruption requirements, we actively provided anti-corruption training for them during the Reporting Period. All directors have completed online anti-corruption training to raise alertness against corruption temptations in daily operations, and strengthen their understanding of anti-corruption legislations and the Group's internal integrity standards, thereby blocking corruption and bribery from internal business operations.



## ZHONGHUA GAS AND OPERATIONS



### SUPPLY CHAIN MANAGEMENT

#### Material Topic 11

The supply chain is key to the Group providing high-quality products and services, therefore the assessment and management of suppliers is also one of our important issues. To properly manage risks associated with the supply chain, Zhonghua Gas has established a supply chain management policy in the “ESG Regulations”, outlining the processes for managing new and existing suppliers and sustainable development factors that need to be considered during screening, and to select suppliers based on impartial principles to guarantee the supplier assessments are under the principles of “Fairness”, “Equitable” and “Openness”, creating an honest and integrity business environment. In addition, Zhonghua Gas maintains good cooperative relationships with major suppliers, to move towards sustainability together and reduce negative impacts on the environment and society. During the Reporting Period, the Group had 4 suppliers, all from Mainland China and we have implemented screening practices to 3 suppliers.

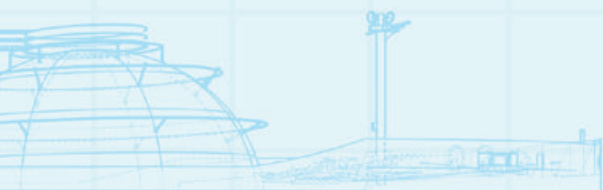
Number of suppliers by geographical region	Unit	2023	2022
Mainland China	No.	4	2

#### *New Suppliers Selection*

When selecting new suppliers, the Group has a series of procedures for assessment and screening:

- Require potential suppliers to provide qualification certificates for our internal evaluation and analysis;
- If necessary, we will set up investigation teams and conduct on-site assessments, and require general goods or raw materials suppliers to obtain international relevant international quality management system certifications;
- Afterwards, we will arrange for investigation teams comprising department heads of each operational department to assess candidate suppliers’ operational services, quality systems, R&D capabilities, manufacturing, environmental management, labour human rights and moral integrity; and
- Suppliers who pass the assessment will be included in the Group’s list of qualified suppliers.

At the same time, to fulfill our corporate social responsibilities and manage environmental and social risks in the supply chain, the Group pays attention to suppliers’ environmental and social performance when selecting suppliers, and requires suppliers to make an effort to integrate environmental and social responsibilities into their operations, for instance, we would choose suppliers who provide products with less packaging materials.





## ZHONGHUA GAS AND OPERATIONS

### *Current Suppliers Evaluation*

For current suppliers, to ensure their quality, delivery time, services, etc. meet the Group's requirements, we conduct quarterly performance evaluations or annual inspections, and regularly update the list of qualified suppliers based on the results. If a supplier's performance is found unsatisfactory, the Group will provide them with suggestions for improvement. If the supplier fails to comply with the Group's formulated "ESG Regulations" or the plan of improvement, the Group reserves the right to terminate our cooperation.

### *Supplier's Safety Management*

The Group is committed to ensuring occupational safety in operations, including safety issues in the supply chain. We require suppliers to carry out safety protection, supervision and management before performing high-risk operations to safeguard the safety of employees. Suppliers need to handle product delivery at the LNG office following relevant safety management procedures, including proper management of chemicals, identifying workplace hazards, formulating emergency response measures and evacuation procedures, and providing safety training to employees.

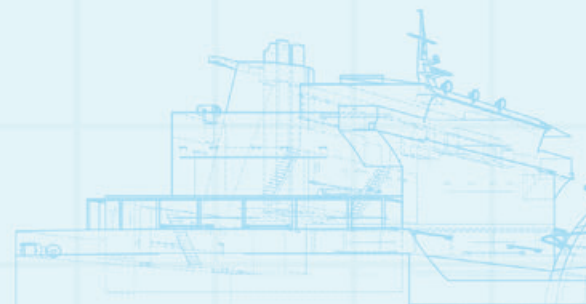
## QUALITY CONTROL AND MANAGEMENT

### **Material Topic 15**

Providing clients with safe and clean LNG is the operational focus of Zhonghua Gas. We further invest resources to continuously develop "Diversified and High-Efficiency" integrated energy utilization to meet clients' demand for heating and coal-to-gas. At the same time, we also provide services including construction-related consultation and trading of energy-related industrial products.

### *Securing Stable Gas Supply*

The Group is committed to supplying stable LNG to clients. Therefore, we insist on maintaining good relationships with large suppliers to reduce the risk of supply chain disruptions, and to provide a safeguard for our LNG supply. In addition, the management and operation of LNG gas stations are also valued. We have arranged for staff to be stationed at the gas stations 24 hours a day during the heating season to monitor station operations and ensure users can enjoy safe and high-quality gas. Regarding safety, we install on-off valve systems at different locations of the gas stations. When there is damage to the pipelines, the systems can automatically detect the change in pressure inside the pipelines and trigger the alarm system to notify gas station staff for repairs. We also regularly inspect gas station equipment to ensure all equipment conditions satisfy the standards.





## ZHONGHUA GAS AND OPERATIONS



### *Project Quality Management*

The Group has formulated different management processes at the beginning, middle and ending phases of construction to ensure project quality:

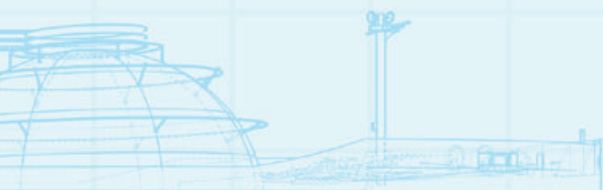
- In the early stage of construction: According to the "Engineering Construction Management Procedures", the Group will inspect the construction quality of the construction unit. If any issues are discovered, we will require the construction unit to make timely corrections.
- When key projects are completed: The Group will arrange for the construction unit and the Group's project team to carry out project acceptance, to ensure construction quality.
- After construction: According to the "Construction Work Completion and Inspection Management Procedures", the Group requires the construction unit to first conduct self-inspection of the project, followed by project acceptance jointly carried out by the Group and client representatives. The acceptance process will include on-site measurement and inspection of engineering data.
- After the project is handed over to the client: The Group's project team will follow up on the operation of the equipment according to the "Engineering Trial Management Procedures." The Group also provides support to clients, including providing personnel training and equipment maintenance recommendations.

## CLIENT FEEDBACK MANAGEMENT

### Material Topic 15

Client opinions are critical to the development and improvement of Zhonghua Gas. Therefore, we cherish clients' support and suggestions, driving us to continuously improve and provide high-quality products and services. Through the Group's client opinion management system, we gain an in-depth understanding of client needs with the goal of delivering an even better service experience to our clients. We believe feedback from clients provides the momentum for the Group to progress and move forward. If clients are dissatisfied during our service, they can lodge complaints to the Group through letters, phone calls or in-person visits. After investigating complaint cases, the Group will respond to the client on the investigation results and discuss rectification actions with them. We also provide training for relevant employees to be responsible for client relationship management and procedures for handling opinions from clients.

During the Reporting Period, we did not have any product recalls due to health and safety reasons, nor any complaints about our products. As the nature of the Group's business does not involve advertising and labelling, we did not receive any complaints regarding non-compliant product and service-related advertising and labelling during the Reporting Period.





## ZHONGHUA GAS AND OPERATIONS

### CLIENT PRIVACY PROTECTION

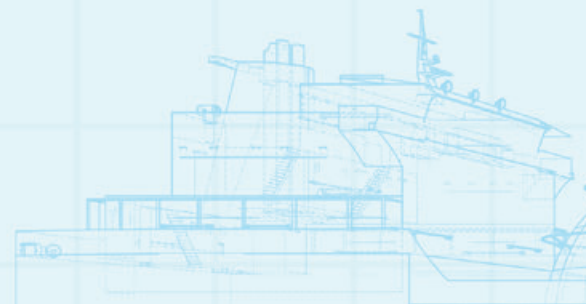
#### Material Topic 16

Protecting the privacy of clients is one of the Group's highly valued commitments. Our operations comply with relevant laws and regulations, including but not limited to:

- Cap. 486 of the Laws of Hong Kong "Personal Data (Privacy) Ordinance";
- "Personal Information Protection Law of the People's Republic of China"; and
- "Archives Law of the People's Republic of China".

To protect the Group's confidential information and data, we have stated relevant provisions in the "Employee Handbook", prohibiting all employees from disclosing the Group's confidential data without authorization. We also stipulate in the "ESG Regulations" that employees and suppliers must protect client and consumer information. We have also assigned dedicated employees to manage clients' personal data, and adopted security measures for the Group's IT equipment, such as encryption, to prevent misuse or leakage of client data.

During the Reporting Period, we were not aware of any cases of violations of relevant laws and regulations regarding product health and safety, advertising, labelling and privacy. The nature of the Group's business does not involve intellectual property, and no patents have been applied for.



## ZHONGHUA GAS AND EMPLOYEES



### OCCUPATIONAL HEALTH AND SAFETY

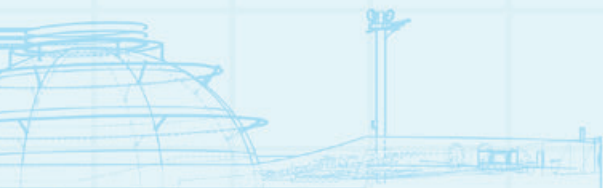
#### Material Topic 12, 13, 17

Employees are valuable assets of Zhonghua Gas, establishing the foundation for our stable supply of liquefied natural gas. Therefore, we are committed to providing employees with a safe and healthy working environment. As the Group's business involves procedures such as transportation and storage of natural gas, there are safety risks including industrial accidents and property losses, requiring stringent safety management work. Zhonghua Gas strictly complies with relevant laws and regulations, including but not limited to:

- "Work Safety Law of the People's Republic of China";
- "Identification of Major Hazards Installations for Hazardous Chemicals"; and
- "Guidelines for Enterprises to Develop Emergency Response Plans for Workplace Accidents".

"The Group actively formulates safety management policies and strictly implements safety regulations and operating procedures to ensure that employees' safety risks are minimized. We have stated relevant health and safety codes in the "ESG Regulations" to protect our employees. We propose "Safety First, Prevention is Crucial" as our approach, and on this basis, clearly define the responsibilities at various levels within gas stations, and formulate safety management policies for business operations, including:

- "The Policy of Safety Production in Station Area";
- "The Policy of LNG Station Safety";
- "The Fire Safety Policy of LNG Gasification Station";
- "The Policy of Outbound Management"; and
- "The Policy of Personnel Position Responsibility".





## ZHONGHUA GAS AND EMPLOYEES

### *Gas Stations Safety Inspections and Management*

Regarding safety at gas stations, we have installed safety and alarm systems, and conduct regular inspections to minimize safety risks. Storage tanks, vaporizers, self-pressurization equipment and other equipment at the gas stations have all been installed with spring-loaded valves. When pipelines are damaged, the shut-off valve system can automatically sense changes in pressure inside the pipelines and promptly notify gas station staff through the alarm system for repairs. We require gas station staff to implement "The Policy of Safety Production in Station Area" conscientiously and strictly to strengthen the management of electricity use, fire prevention, and explosion prevention during operations, conduct inspections regularly, ensure normal operation of safety equipment at the gas station, promptly discover potential hazards, and eliminate them. Some of the measures include:

- Regularly inspecting equipment at the station, mainly checking the operation status of gas station equipment such as safety valves, electric valves, alarming dashboard, and filters and whether they meet standards of technological requirements.
- Conducting annual lightning protection test of grounding conditions.
- Annually calibrating pressure gauges and safety valves on processing pipelines at the gas station.
- Having station staff on 24-hour duty during the heating season (approximately November to March) to monitor station operations.

### *Fire Safety at Gas Stations*

As gas station operations involve LNG, and LNG has the characteristics of high flammability and easily accumulates static electricity, the risk of fires within gas stations is inevitable. However, we have identified relevant hazardous factors and formulated a series of preventive measures to improve the level of fire safety management at the stations. We have established safety operating rules for LNG offices and LNG stations, conducted regular maintenance management of equipment, and installed appropriate fire extinguishing equipment at locations where different appliances according to relevant fire regulations. The station's alarms and fire extinguishing equipment are also fully inspected and maintained each year, with related records filed. The stations regularly conduct annual fire drills to enhance employees' fire safety awareness, as well as provide safety training for technicians, such as on water cannons, vehicle unloading operations, and basic safety rules.



### **Gas Station Safety Knowledge Training**

Enhance employees' knowledge of safe operations, and understand the proper steps of using fire extinguishers.

# ZHONGHUA GAS AND EMPLOYEES



## Emergency Response

Due to the nature of the Group’s operations, we need to strictly manage the prevention and response procedures for safety incidents to minimize harm that may be caused by potential accidents. Therefore, Zhonghua Gas has established “Emergency Plan” to regulate the emergency management and response procedures of LNG gas stations under departmental management, enabling quick and effective control and handling of potential accidents to reduce personnel casualties and property losses. Based on the formulation of the “Emergency Plan”, our regulations for emergency incidents are as follows:



After the drills, we will record relevant progress and implementation and handling conditions to summarize, evaluate and promptly improve the performance. Although the Group had no work injuries during the Reporting Period, we already have a comprehensive on-site emergency response procedures in place. If any work injury situation occurs, we will immediately assess the injured person’s condition and extent of injury, perform first aid and send them to a hospital for treatment according to the circumstances. The Human Resources Department will assign staff to follow up on work injury cases, investigate the causes of incidents, and review current safety measures to prevent the recurrence of accidents. In addition to the above steps, we provide work injury insurance and arrange work injury leave for employees according to the law.

The Group strictly supervises and implements relevant safety management work. Employees’ safety awareness is also very important for policy implementation. In addition to actively responding to the national “ Safe Production Month ” campaign, we also provide safety training based on job requirements for technicians to ensure standardized safety operating procedures.

Zhonghua Gas’ occupational health and safety performance during the Reporting Period:

**Not aware of any violations of any laws and regulations relating to occupational safety.**



Number of work-related fatalities in 2023: 0

No work-related fatalities occurred from 2021 to 2023



Lost days due to work injury in 2023: 0 days

Lost days due to work injury in 2022: 0 days





## ZHONGHUA GAS AND EMPLOYEES

### EMPLOYMENT RELATIONSHIP AND LABOUR RIGHTS

#### Material Topics 19, 20, 21

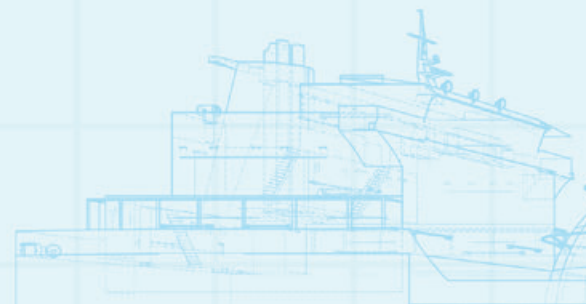
Employees are the cornerstone of the Group's sustainable development. Thanks to their efforts, we are able to sustain continuous development and growth. Therefore, we regard employees as partners who share the progress together with the Group. We are committed to maintaining a fair and friendly working environment, an atmosphere of diversity, inclusiveness and anti-discrimination, as well as providing competitive returns. The Group's "ESG Regulations" and "Employee Handbook" contain detailed employment terms to ensure employees understand their rights and responsibilities. The Group signs employment contracts with recruited employees. The contracts specify employment terms including remuneration, probation period and the arrangement of the termination of employment to safeguard employees' rights.

The Group complies with all applicable laws and regulations relating to employment, including but not limited to:

- "Labour Law of the People's Republic of China";
- "Labour Contract Law of the People's Republic of China";
- "Social Insurance Law of the People's Republic of China"; and
- "Provisions on the Prohibition of Using Child Labour".

During the Reporting Period, we were not aware of any cases of violations of relevant laws and regulations regarding compensation and dismissal, recruitment, and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination, other welfare and benefits, child labour and forced labour.

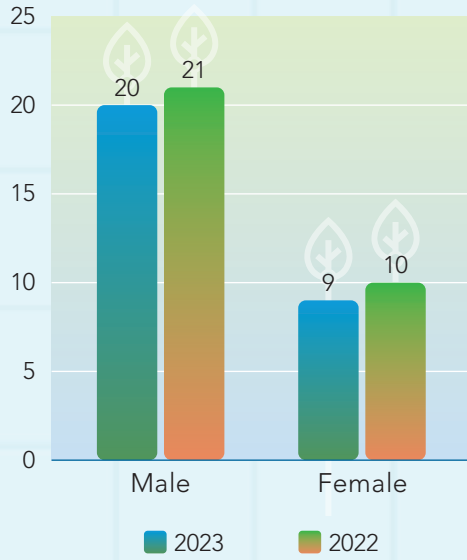
The charts below show the number of employees for the Reporting Period and 2022 by gender, age group and employee category. As at December 31, 2023, the Group had a total of 29 full-time employees (2022: 31 full-time employees). All employees work in Mainland China.



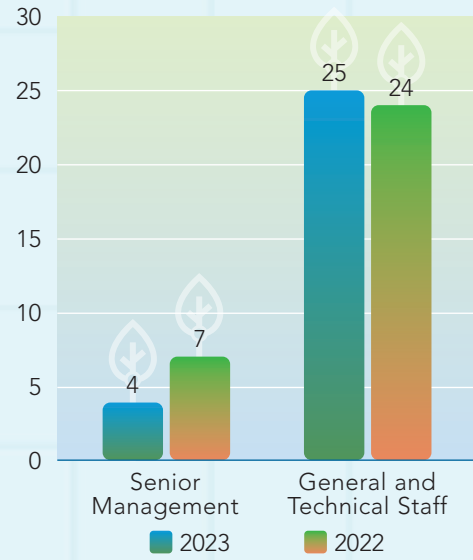
# ZHONGHUA GAS AND EMPLOYEES



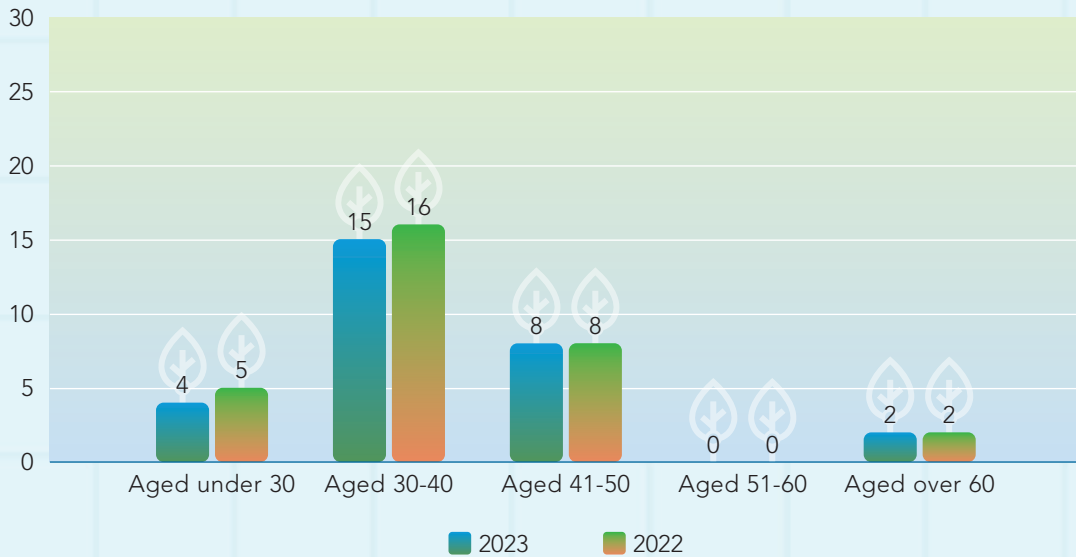
CATEGORIZED BY GENDER



CATEGORIZED BY EMPLOYEE CATEGORY



CATEGORIZED BY EMPLOYEE AGE GROUP





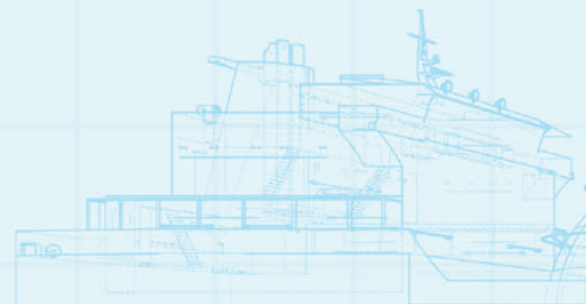
## ZHONGHUA GAS AND EMPLOYEES

The charts below shows the employee turnover rate by gender, age group and geographical location:

Employee Turnover Rate	2023	2022
Total Turnover Rate	28%	26%
<b>Categorized by Gender</b>		
Male	40%	19%
Female	0%	40%
<b>Categorized by Age Group</b>		
Aged under 30	25%	20%
Aged 30-40	20%	38%
Aged 41-50	38%	0%
Aged 51-60	100%	0%
Aged over 60	0%	50%
<b>Categorized by Geographical Location</b>		
Mainland China	28%	26%

### Labour Standards

The Group strictly prohibits the use and employment of child labour and forced labour, and stipulates its stance against child labour in the "ESG Regulations". To prevent violations of labour standards, we have corresponding procedures during employee recruitment, including strictly reviewing applicants' identity documents and other age-proof records. Those who do not meet the requirements will not be hired. We also prohibit hiring forced labour in any form and ensure that our employees are voluntarily employed. If any violations are discovered, we will immediately terminate the contract with the employee and review the recruitment mechanism to prevent the recurrence of violations.



## ZHONGHUA GAS AND EMPLOYEES



### *Encouraging Equal Employment and Promotion Opportunities*

The Group adheres to the principles of diversity and anti-discrimination when hiring employees. During the recruitment process, we follow the terms in the "Employee Handbook" and ensure that factors such as race, colour, age, gender, sexual orientation, gender identity and expression, ethnicity or nationality, disability, pregnancy, religious beliefs, political stance, trade union participation, genetic information protection or marital status of the candidate do not affect recruitment opportunities.

The probation period for all new employees is 3 months. Upon completion of the probation period and passing the assessment successfully, they can become regular employees. Our promotion decisions depend on factors including employees' professionalism, professional qualifications, work performance, teamwork, behavioral integrity and cultural accomplishment.

### *Creating a Diverse and Inclusive Working Environment*

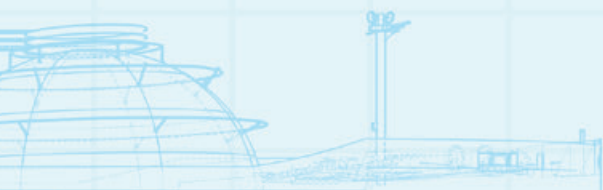
The Group believes a diverse workforce can create long-term and sustainable value for the Group's operations. Therefore, we have formulated the "Diversity Policy", striving to implement a corporate culture of diversity and inclusiveness within the Board of Directors, senior management and employees. We adopt zero tolerance towards any form of discrimination, bullying and harassment, while the policy also states that we will recruit employees of different age groups and backgrounds through various channels to create a diverse, inclusive, and better working environment.

## EMPLOYMENT BENEFITS

### Material Topic 19

The Group provides employees with competitive benefits to attract and retain talent. We provide insurance benefits including "Five Social Insurances And One Housing Fund" (including endowment insurance, medical insurance, unemployment insurance, maternity insurance and employment injury insurance as well as Housing Provident Fund) to our employees according to the laws and regulations where we operate. Our "Employee Handbook" sets out employees' workdays and arrangements for overtime work to ensure employees are clear on their rights. Other benefits include:

- Employees are entitled to paid annual leave, marriage, compassionate and examination leave according to their ranks;
- Female employees are entitled to maternity leave and are protected during maternity and parenting leave; and
- Male employees are also entitled to paternity leave.





## ZHONGHUA GAS AND EMPLOYEES

### TRAINING AND DEVELOPMENT

#### Material Topic 18

The Group values employee training and has formulated training policies to plan diverse training courses for employees, encouraging them to keep learning and get prepared to embrace various opportunities and challenges. We invest resources to meet the training needs of employees at different levels and identify employees with potential during the training process so they can sustain continuous development at different stages of their careers.

The "ESG Regulations" and "Employee Handbook" both contain policies related to employee development and training. We are committed to providing employees with learning and training courses, including:

- All new employees receive induction training from the Human Resources Department, department managers provide on-the-job training for their positions;
- All employees also receive appropriate on-the-job professional skills training; and
- Employees engaged in technical work and particular work must receive training before taking up their posts.

During the Reporting Period, the employee training provided by the Group included gas station safety knowledge training, safety management training, and equipment operation training etc.

Also, the Group encourages employees to participate in external training for self-improvement, so that employees' work skills and professional knowledge can keep up with the times and meet industry standards. The Group has a regular performance appraisal system. According to the performance evaluation results, development and promotion opportunities are provided to employees with outstanding performance, and employees can also give feedback through this system. During the Reporting Period, the percentage of trained employees out of total employees was 100%. The chart below show the percentage of trained employees and average training hours completed per employee by gender and employee category:

	2023		2022	
	Percentage of Trained Employee	Average Training Hours Completed by Each Employee (hours)	Percentage of Trained Employee	Average Training Hours Completed by Each Employee (hours)
<b>Categorized by Gender</b>				
Male	100%	13	100%	13
Female	100%	12	100%	12
<b>Categorized by Employee Category</b>				
Senior Management	100%	13	100%	12
General and Technical Staff	100%	13	100%	13



## ZHONGHUA GAS AND ENVIRONMENT



Zhonghua Gas fully understands that the Group's operations are closely related to the environment, including the natural resources we use and emissions. Therefore, we are committed to promoting environmental protection internally and externally across the Group and have formulated the "ESG Regulations" covering emission and resource management policies, explaining our commitment to reducing impacts on the environment and natural resources. We also have "Emergency Plan" that outlines safety emergency handling procedures in case of hazardous chemical leakage to prevent polluted water from entering drains and sewers and polluting the environment.

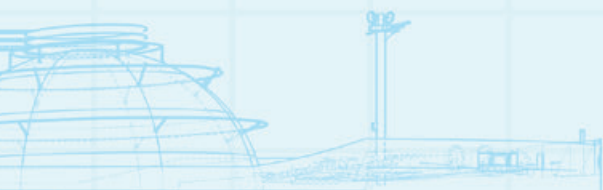
We have complied with applicable laws and regulations relating to environmental protection, including but not limited to the "Environmental Protection Law of the People's Republic of China". During the Reporting Period, the Group was not aware of any incidents of violations of relevant environmental laws or regulations that had a significant impact on the Group. Our operations did not have any significant impacts on the environment and natural resources, and our energy businesses in Tianjin and Shanghai do not involve projects with significant environmental impacts.

### EMISSIONS MANAGEMENT

#### Material Topic 3

During the Reporting Period, vehicles usage was the main source of air pollutant emissions for the Group. Therefore, we advocate and implement "Green Commute" measures, including encouraging employees to walk instead of taking transportation if the destination is near and time allows, and encouraging online video or teleconferencing, with the goal of gradually reducing overall air pollutant emissions:

Air Pollutants Emissions	Unit	2023	2022
Nitrogen oxides	Kg	1.45	2.18
Sulphur oxides	Kg	0.04	0.05
Particulate matter	Kg	0.11	0.16





## ZHONGHUA GAS AND ENVIRONMENT

### WASTE MANAGEMENT

#### Material Topic 4

During the Reporting Period, the Group properly collected and handled waste to avoid environmental pollution. For non-hazardous waste, property management staff of the Group's office building collect domestic waste for subsequent treatment. The Group's business does not involve generation of significant hazardous waste, and we advocate recycling used toner cartridges and returning them to manufacturers. Since the Group's business does not involve manufacturing, we are not involved in product packaging materials consumption.

We strive to achieve the goal of waste reduction at source through the following measures:

- Placing wastepaper recycling bins in the office to encourage employees to collect reusable paper, and use recycled paper as much as possible when printing internal documents for review during daily office work; and
- When ordering office stationery, selecting suppliers that provide non-disposable products and less packaging to reduce the generation of unnecessary packaging waste.

The Amount of Waste Generated	Unit	2023	2022
Total Non-hazardous Waste	Tonnes	3.04	4.06
Intensity of Non-hazardous Waste	Tonnes/RMB million <sup>1</sup>	0.02	0.02

### RESOURCES MANAGEMENT

#### Material Topics 7, 8

The Group incorporates sustainability into daily operations, values efficiency in resource usage and emphasizes reducing wastage. We keep monthly records of water and electricity usage to monitor consumption levels, prevent abnormal usage situations, and propose rectification measures on time. The Group also strengthens internal education on conserving resources to enhance employees' awareness. The Group obtains water supply from the municipal government's water supply network, thus we did not encounter any issues in obtaining suitable water sources, and did not have significant sewage discharge. All sewage generated from our operations is discharged into municipal sewage pipe networks and sent to sewage treatment plants for purification treatment. The Group has implemented the following measures and is committed to improving energy and water efficiency.

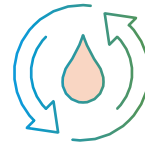
<sup>1</sup> The total revenue of Zhonghua Gas for the Year was RMB186.6 million, and the total revenue for 2022 was RMB 200.5 million.

## ZHONGHUA GAS AND ENVIRONMENT



### Saving Energy

- Requiring employees to turn off unnecessary office equipment during lunch breaks; and
- Turning off air-conditioning and unnecessary lighting in unoccupied areas to reduce energy consumption.



### Cherishing Water

- Making water conservation signs to remind employees to conserve water;
- Using remaining little amount of purchased drinking water for watering plants and cleaning the office;
- Replacing equipment with water-saving models, such as water-saving faucets to conserve water; and
- Promptly arranging maintenance if water supply equipment shows signs of damage or leaking.

Energy Consumption	Unit	2023	2022
Direct Energy (Vehicle Fuel)	kWh	25,070.80	31,935.33
Indirect Energy (Purchased Electricity)	kWh	22,779.00	40,749.00
Total Energy Consumption	kWh	47,849.80	72,684.33
Intensity of Energy Consumption	kWh/RMB million	256.43	362.52

Water Usage	Unit	2023	2022
Total Water Consumption	m <sup>3</sup>	236.00	312.00
Intensity of Water Consumption	m <sup>3</sup> /RMB million	1.26	1.56



## ZHONGHUA GAS AND ENVIRONMENT

### COMBATING CLIMATE CHANGE AND STRIVING TO REDUCE GREENHOUSE GAS EMISSIONS

#### Material Topics 1, 2, 5

Climate change is a global issue affecting various industries and communities. The Group also pays close attention to climate-related risks and opportunities. The Board of Directors is responsible for overseeing our risk management framework and ESG-related risks, including climate-related risks, and will discuss relevant matters with the ESG Working Group in a timely manner.

#### Risks

- Climate change has not had a significant impact on the Group's LNG service demand and heating period.
- Climate change may bring other physical risks to our operations, such as flooding due to heavy rains and extremely hot weather. In addition to potentially damaging our gas station facilities, these extreme weather events also pose potential threats to employee safety.

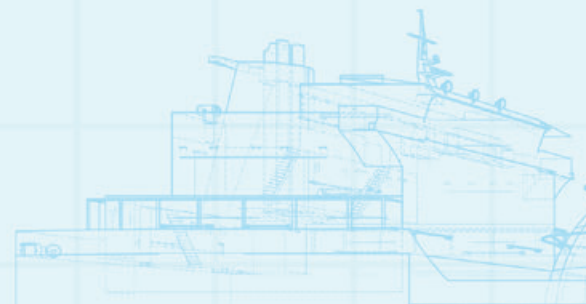
#### Response Measures

- Regularly conduct safety inspections and rectification of gas station facilities.
- Through formulating emergency plans with operational procedures and employee work guidelines for extreme weather, safeguard the overall safety of business operations.

#### Opportunities

- Mainland China proposed the "Dual Carbon Goals" in 2020, aiming to achieve carbon neutrality by 2060. The Group actively responds to national policies, striving to promote "coal-to-gas" and the extensive use of natural gas, so that more people can benefit from this clean energy.

In addition to helping enterprises reduce air pollutants and greenhouse gas emissions through our energy business, the Group is also committed to implementing the various emission reduction measures described in the "Emissions Management" and "Resources Management" sections, starting from reducing our own carbon emissions, with the long-term goal of reducing greenhouse gas emissions and mitigating exacerbation of global warming.



## ZHONGHUA GAS AND ENVIRONMENT

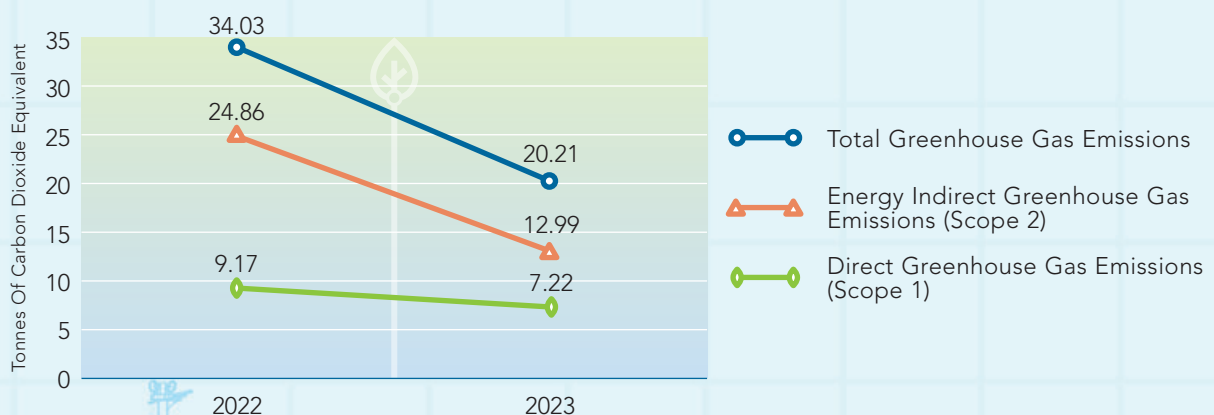


We have utilised carbon offsets to reduce our greenhouse gas emissions. The carbon offset project we have selected is the Hebei ChengAn Biomass Cogeneration Project (Project ID: 3797) from the United Nations Clean Development Mechanism ("CDM"), which focuses on generating electricity by utilising local straw from cotton. The electricity generated from this project is sold to the Hebei Provincial Power Grid, replacing the capacity of coal-fired power plants. The project contributes to greenhouse gas emission reduction, comprehensive utilisation of resources, environmental protection, providing job opportunities and increasing income of local residents. Certified Emission Reductions ("CERs") from this project were also used for carbon neutrality at the 19th Asian Games Hangzhou 2022 and the 4th Asian Para Games Hangzhou 2022.



Greenhouse Gas Emissions	Unit	2023	2022
Direct Greenhouse Gas Emissions (Scope 1)	Tonnes of carbon dioxide equivalent	7.22	9.17
Energy Indirect Greenhouse Gas Emissions (Scope 2)	Tonnes of carbon dioxide equivalent	12.99	24.86
Total Greenhouse Gas Emissions	Tonnes of carbon dioxide equivalent	20.21	34.03
Intensity of Greenhouse Gas Emissions	Tonnes of carbon dioxide equivalent/ RMB million	0.11	0.17

### GREENHOUSE GAS EMISSIONS





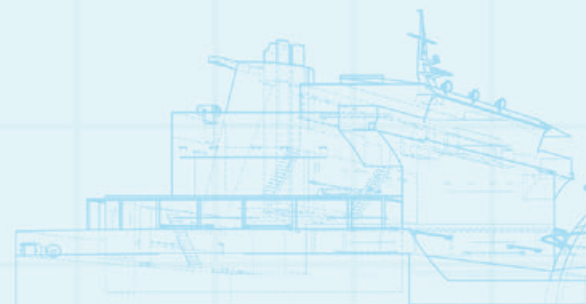


## ZHONGHUA GAS AND THE COMMUNITY

### ACTIVELY EXPLORE COMMUNITY INVESTMENT PROJECTS

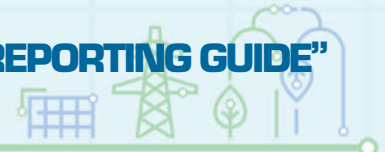
#### Material Topics 22, 23

The Group hopes to care for the community together with employees and bring positive impacts to society. We uphold the philosophy of "Serving The Community and Being Enthusiastic about Public Welfare" and are actively building and promoting a culture of caring for the community within the Group. The Group actively researches how to increase community participation and plans to help those in need in the community through different channels in the future. We will gradually identify focus areas for community investment and look forward to implementing a series of community investment projects in the future.



# “ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE”

## CONTENT INDEX



Aspects	Description	Chapter of the Report/Notes
Mandatory Disclosure Requirement		
Governance Structure	A Statement from the board containing the following elements: a) disclosure of the board’s oversight of ESG issues; b) the board’s ESG management approach and strategy, including the process used to evaluate, prioritize and manage material ESG-related issues (including risks to the issuer’s business); and c) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer’s business	“About the Report”, “Governance for Sustainable Development” and “Risk Management”
Reporting Principles	A description of, or an explanation on, the application of the Reporting Principles (materiality, quantitative, and consistency) in the preparation of the ESG Report	“About the Report”
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report.	
“Comply or Explain” Provisions		
A. Environmental		
Aspect 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	“Zhonghua Gas and Environment”
KPI A1.1	The types of emissions and respective emissions data.	
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity	
KPI A1.3	Total hazardous waste produced (tonnes) and where appropriate, intensity	The Group’s business does not involve hazardous waste
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity	“Zhonghua Gas and Environment”
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them	
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	

# “ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE”

## CONTENT INDEX

Aspects	Description	Chapter of the Report/Notes
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water, and other raw materials	“Zhonghua Gas and Environment” and “Promoting Sustainable Development”
KPI A2.1	Direct and/or indirect energy consumption by type in total (kWh in '000s) and intensity	
KPI A2.2	Water consumption in total and intensity	
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s), and steps taken to achieve them	
KPI A2.5	Total packing material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	The Group’s business does not involve the use of packaging materials
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer’s significant impacts on the environment and natural resources	“Zhonghua Gas and Environment”
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	
Aspect 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	“Zhonghua Gas and Environment”
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	

# “ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE”

## CONTENT INDEX



Aspects	Description	Chapter of the Report/Notes
B. Social		
Aspect 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	“Zhonghua Gas and Employees” and “Promoting Sustainable Development”
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	
KPI B1.2	Employee turnover rate by gender, age group and geographical region	
Aspect 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	“Zhonghua Gas and Employees” and “Promoting Sustainable Development”
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	
KPI B2.2	Lost days due to work injury	
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored	
Aspect B3: Development and Training		
General Disclosure	Policy on improving employees’ knowledge and skills for discharging duties at work. Description of training activities	“Zhonghua Gas and Employees”
KPI B3.1	The percentage of employees trained by gender and employee category	
KPI B3.2	The average training hours completed per employee by gender and employee category	



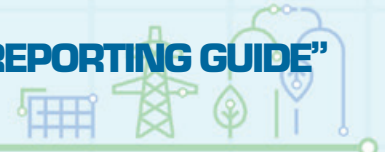
## “ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE” CONTENT INDEX

Aspects	Description	Chapter of the Report/Notes
Aspect 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	“Zhonghua Gas and Employees”
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	
KPI B4.2	Description of steps taken to eliminate such practices when discovered	
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain	“Zhonghua Gas and Operations”
KPI B5.1	Number of suppliers by geographical region	
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	
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	“Zhonghua Gas and Operations” and “Zhonghua Gas and Environment”



# “ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE”

## CONTENT INDEX



Aspects	Description	Chapter of the Report/Notes
Aspect 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	“Zhonghua Gas and Operations”; The Group’s business does not involve products and services labelling
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	“Zhonghua Gas and Operations”
KPI B6.2	Number of products and service related complaints received and how they are dealt with	
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	The Group’s business is not involved in intellectual property matters
KPI B6.4	Description of quality assurance process and recall procedures	“Zhonghua Gas and Operations”
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored	
Aspect 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	“Zhonghua Gas and Operations”
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	“Zhonghua Gas and Operations”
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored	
KPI B7.3	Description of anti-corruption training provided to directors and staff	



## “ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE” CONTENT INDEX

Aspects	Description	Chapter of the Report/Notes
Aspect 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	"Zhonghua Gas and Community"
KPI B8.1	Focus areas of contribution	
KPI B8.2	Resources contributed to the focus area	

