



金山能源集團有限公司
KING STONE ENERGY GROUP LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00663)

2020

**ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT**



2020 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONTENTS

ABOUT THIS REPORT	2
INTRODUCTION	3
STAKEHOLDERS ENGAGEMENT	3
A. ENVIRONMENTAL ASPECTS	5
A1. EMISSIONS	5
A2. USE OF RESOURCES	9
A3. THE ENVIRONMENT AND NATURAL RESOURCES	10
B. SOCIAL ASPECTS	11
EMPLOYMENT AND LABOUR PRACTICES	11
B1. EMPLOYMENT	11
B2. HEALTH AND SAFETY	11
B3. DEVELOPMENT AND TRAINING	12
B4. LABOUR STANDARDS	13
OPERATING PRACTICES	13
B5. SUPPLY CHAIN MANAGEMENT	13
B6. PRODUCT RESPONSIBILITY	14
B7. ANTI-CORRUPTION	14
COMMUNITY	15
B8. COMMUNITY INVESTMENT	15
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING INDEX	16

ABOUT THIS REPORT

King Stone Energy Group Limited (the “Company”), together with its subsidiaries (the “Group”), is pleased to present this Environmental, Social and Governance Report (the “Report”) to provide an overview of the Group’s management on significant issues affecting the operation, and the performance of the Group in terms of environmental and social aspects. This Report is prepared by the Group with the professional assistance of APAC Compliance Consultancy and Internal Control Services Limited.

Preparation Basis and Scope

This Report is prepared in accordance with Appendix 27 to the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) – “Environmental, Social and Governance Reporting Guide” and has complied with “comply or explain” provision in the Listing Rules.

This Report summarises the performance of the Group in respect of corporate social responsibility, covering its major operating activities of the Group, namely (i) the silver mining segment engaged in the mining and sale of silver in the People’s Republic of China (“PRC”); (ii) the oil and gas segment engaged in the exploration, production and sale of oil and gas in the United States of America (“USA”); (iii) the asset financing segment engaged in the provision of finance leasing and factoring services in the PRC; (iv) the photovoltaic segment engaged in the operation of photovoltaic power business in the PRC; (v) the tourism segment engaged in the provision of tourism agency services in the PRC; and (vi) the trading segment engaged in the trading of commodities including medical supplies, wood and metals in Hong Kong (“HK”). With the aim to optimise and improve the disclosure requirements in the Report, the Group has taken initiative to formulate policies, record relevant data, implement and monitor measures. This Report is published in both in Chinese and English on the website of the Stock Exchange. Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

Reporting Period

This Report demonstrates our sustainability initiatives during the reporting period from 1 January 2020 to 31 December 2020.

Contact Information

The Group welcomes any feedback on this Report for our sustainability initiatives. Please contact us by email at enquiry@663hk.com.

INTRODUCTION

The Group is principally engaged in oil and gas exploration, production and sale in the USA, mining and sale of silver, provision of financing leasing and factoring services, operation of photovoltaic power business, provision of tourism agency services in the PRC, and trading of commodities including LNG, medical supplies, wood and metals in HK and the PRC.

The Group conducts its silver mining business through two silver mines in Ningde City, Fujian Province, the PRC, namely the "Western Section" located in Fu'an County of Ningde City (the "West Mine") owned by Fu'an City Leixin Mining Company Limited ("Fu'an Leixin") and the "Eastern Section" located in Zherong County of Ningde City (the "East Mine") owned by Zherong County Leixin Mining Company Limited ("Zherong Leixin"). In response to the continuous below-par price and demand of our products, the Group strategically deferred and reduced the mining and exploration activities in the PRC and USA. The asset financing business of the Group is operated by three wholly-owned subsidiaries in the PRC (the "Asset Financing Subsidiaries"). The business scope of the Asset Financing Subsidiaries as set out in their business licenses includes finance leasing and factoring business in the PRC. During the year, the Group is also engaged in trading of various commodities including LNG medical supplies, wood and metals through certain subsidiaries of the Company. The Group continues to explore more trading opportunities for different commodities to expand the commodities trading business. The Group currently operates an upstream oil and gas exploration in East Texas, the USA. The Group completed drilling of the first well and the second well (the "Operating Wells") which have started production since July 2014 and March 2015 respectively. The Group also operates a photovoltaic power generation project in the PRC.

Looking forward, the Group will continue to lead the management team under such circumstances, review the business strategy in a timely manner, and achieve satisfactory returns to the shareholders. In the meantime, the Group also recognises the importance of operating in a responsible manner for the environment and community. We strive to achieve sustainable development for affordable capital and long-term competitiveness by integrating environmental and social factors into management considerations. Sustainability strategy is based on the compliance with the legal requirements in the area where we operate and the opinions from stakeholders. The Group has established and implemented various policies to manage and monitor the risks related to environment, employment, operating practices and community. Details of the management approaches to sustainable development of different areas are illustrated in this Report.

STAKEHOLDERS ENGAGEMENT

The Group understands the success of the Group's business depends on the support from its key stakeholders, who (a) have invested or will invest in the Group; (b) have the ability to influence the outcomes within the Group; and (c) are interested in or affected by or have the potential to be affected by the impact of the Group's activities, products, services and relationships. It allows the Group to understand risks and opportunities. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

Stakeholders are prioritised from time to time in view of the Group's roles and duties, strategic plan and business initiatives. The Group engages with its stakeholders to develop mutually beneficial relationships and to seek their views on its business proposals and initiatives as well as to promote sustainability in the marketplace, workplace, community and environment.

The Group acknowledges the importance of intelligence gained from the stakeholders' insights, inquiries and continuous interest in the Group's business activities. The Group has identified key stakeholders that are important to our business and established various channels for communication. The following table provides an overview of the Group's key stakeholders, and various platforms and methods of communication are used to reach, listen and respond.

Stakeholders	Issues of concern	Engagement channels
Government and Market Regulators	<ul style="list-style-type: none"> - Compliance - Proper tax payment - Promote regional economic development and employment 	<ul style="list-style-type: none"> - On-site inspections and checks - Research and discussion through work conferences, work reports preparation and submission for approval
Shareholders and Investors	<ul style="list-style-type: none"> - Return on investment - Information disclosure and transparency - Protection of interests and fair treatment of shareholders 	<ul style="list-style-type: none"> - Annual general meeting and other shareholder meetings - Annual report, announcements and website - Meeting with investors and analysts
Employees	<ul style="list-style-type: none"> - Safeguard the rights and interests of employees - Career development opportunities - Health and safety 	<ul style="list-style-type: none"> - Conferences - Trainings, seminars, briefing sessions - Cultural and sport activities - Intranet and emails
Customers	<ul style="list-style-type: none"> - Safe and high-quality products - Stable relationship - Information transparency - Business ethics 	<ul style="list-style-type: none"> - Website, brochures, annual reports - Email and customer service hotline - Feedback forms - Visits and meetings
Suppliers/Partners	<ul style="list-style-type: none"> - Long-term partnership - Honest cooperation - Fairness and openness - Risk reduction 	<ul style="list-style-type: none"> - Business meetings, supplier conferences, phone calls, interviews - Regular meeting - Review and assessment - Tendering process
Peer/Industry associations	<ul style="list-style-type: none"> - Experience sharing and cooperation - Fair competition 	<ul style="list-style-type: none"> - Industry conference - Site visit
Public and Communities	<ul style="list-style-type: none"> - Community involvement - Social responsibilities 	<ul style="list-style-type: none"> - Volunteering - Charity and social investment

Through communication with stakeholders, the Group understands the expectations and concerns from stakeholders. The feedbacks obtained allow the Group to make more informed decisions, and to better assess and manage the resulting impact.

The Group has adopted the principle of materiality in the ESG reporting by understanding the key ESG issues that are important to the business of the Group. All the key ESG issues and key performance indicators (KPIs) are reported in the Report according to recommendations of the ESG Reporting Guide (Appendix 27 of the Listing Rules) and the GRI Guidelines.

The Group has evaluated the materiality and importance in ESG aspects through the following steps:

Step 1: Identification – Industry Benchmarking

- Relevant ESG areas were identified through the review of relevant ESG reports of peers in the industry on local and international levels.
- The materiality of each ESG area was determined based on the importance of each ESG area to the Group through internal discussion of the management and the recommendation of the ESG Reporting Guide (Appendix 27 of the Listing Rules).

Step 2: Prioritization – Stakeholder Engagement

- The Group discussed with key stakeholders on the key ESG areas identified above to ensure all the key aspects to be covered.

Step 3: Validation – Determining Material Issues

- Based on the discussion with key stakeholders and internal discussion among the management, the Group's management ensured all the key and material ESG areas, which were important to the business development, were reported in compliance with the ESG Reporting Guide.

As a result of this process carried out in 2020, those important ESG areas to the Group were discussed in this Report.

A. ENVIRONMENTAL ASPECTS

A1. EMISSIONS

Operations of mining, oil and gas projects can affect the physical environment, including the land, air, water and other important resources. The Group recognises the importance of environmental protection and is committed to operating its business responsibly and in compliance with all environmental regulations.

The Group's objectives on environmental protection are to reduce the emissions of air pollutants, greenhouse gas, wastes and wastewater. In pursuit of these objectives, the Group has established "Environmental Facilities Operation and Management System", "Environmental Policy" and implemented corresponding mitigation measures. The Group monitors the environmental performance of its operations regularly to ensure the emissions levels meet the relevant national standards. All operations have emissions control plans in accordance with local laws, regulations and permit requirements. We believe in supporting voluntary initiatives pro-actively to innovate and advance emissions control rather than waiting for regulatory requirements to drive our actions. Our contractors are also required to follow the Group's environmental practices in performing their work.

During the reporting period, the Group was in strict compliance with the local relevant environmental laws and regulations, including the Environmental Protection Law of the PRC and the Texas Administrative Code Title 16 in the USA. No material non-compliance regarding environmental issues was noted.

Air Pollutants Emission

Fuel combustion activities in mining, oil and gas projects result in air pollutants emission, including nitrogen oxides and sulphur dioxide. To reduce and limit the emission of pollutants to the air, the Group selects and uses equipment which is in compliance with the national emission standards and switches off equipment when it does not run for a long time so as to reduce exhaust gas emission. We also suppress dust emission from roads, crushers and conveyor belt systems through the application of water to roads and mist sprays at point sources.

In 2018, the Group switched to use a smaller compressor in its oil and gas project in the USA. The benefit brought to the Group started from June 2017. Less natural gas was used to power the compressor and the air pollutants emission reduced correspondingly. For the silver mining segment in the PRC, there was silver mining operation in the West Mine during the reporting period. The air pollutants of silver mining business were mainly generated from the use of vehicles, mining activities and exploration work. The increase in amount of air pollutants emission in 2020 was mainly attributable to the increase in mining activities of the silver mining business during the year.

The air pollutants emission during the reporting period is as follows:

Air Pollutants Emission	Unit	PRC	USA	HK	2020 Total	2019 Total
Nitrogen oxides (NO_x)	kg	954.78	16,904.79	–	17,859.57	17,288.53
– Stationary combustion	kg	919.24	16,904.79	–	17,824.03	17,250.32
– Mobile combustion	kg	35.54	–	–	35.54	38.21
Sulfur dioxide (SO₂)	kg	20.39	4.38	–	24.77	5.61
– Stationary combustion	kg	19.52	4.38	–	23.90	4.47
– Mobile combustion	kg	0.87	–	–	0.87	1.14
Particulate matter (PM)	kg	118.71	70.75	–	189.46	74.19
– Stationary combustion	kg	116.92	70.75	–	187.67	72.19
– Mobile combustion	kg	1.79	–	–	1.79	2.00

Greenhouse Gas ("GHG") Emission

Communities around the world are gradually becoming more and more concerned with climate change. The Group recognises that climate change may pose a risk to its business and the Group is committed to mitigating the effects of climate change. GHG is considered as one of the major contributors of the climate change. As the majority of the GHG emission of the Group comes from energy consumption, the Group manages its carbon footprint by minimising the energy consumption in its business operation. Policies and procedures adopted on energy saving in order to reduce GHG emission are mentioned in the section "Use of Resources" below. In light of the acquisition of photovoltaic power operation business and the increase in mining activities of the silver mining business in 2020, the increase in electricity and fuel consumption in these segments led to an increase in GHG emission of the Group during the year.

The GHG emission during the reporting period is as follows:

GHG Emission ¹	Unit	PRC	USA	HK	2020 Total	2019 Total
Scope 1²	tonnes of CO₂-e	99.47	877.11	–	976.58	900.12
– Stationary combustion	tonnes of CO ₂ -e	90.04	877.11	–	967.15	895.04
– Mobile combustion	tonnes of CO ₂ -e	9.43	–	–	9.43	5.08
Scope 2³	tonnes of CO₂-e	1,443.38	–	15.29	1,458.67	33.58⁴
Total GHG emission	tonnes of CO₂-e	1,542.85	877.11	15.29	2,435.25	933.704
GHG emission intensity	PRC: tonnes of CO ₂ -e/m ²	0.04				PRC: 0.03 ⁴
	USA: tonnes of CO ₂ -e/tonnes of production		0.39			USA: 0.20
	HK: tonnes of CO ₂ -e/m ²			0.01		HK: 0.01

Waste Management

Wastes generated in our operations are required to be handled with comprehensive procedures to mitigate the impact on the environment. The Group has a classification system for different types of wastes. Each type of waste has specific storage location and collection procedures. We are committed to minimising the production of wastes and other discharges and handling them in a responsible manner. The use of recyclable and renewable materials is also promoted in our daily operation.

¹ The calculation of the GHG emission is based on the "Corporate Accounting and Reporting Standard" from GHG Protocol.

² Scope 1: Direct emission from sources that are owned or controlled by the Group.

³ Scope 2: Indirect emissions from the purchased electricity consumed by the Group.

⁴ The data for year 2019 has been restated for comparative purpose for adoption of the latest model for electricity consumption in the PRC.

For the oil and gas project in the USA, there is no generation of hazardous waste. The major type of non-hazardous waste produced is wastewater from the production well. The water coming out of the wellbore directly goes to the storage tanks. It is stored in the tanks until a tanker truck picks up the water and takes it to a disposal well. The Group has outsourced the waste handling to a professional wastewater disposal company. The water is either treated and then returned to the environment, re-injected back into the well or disposed of through injection into the ground. During the reporting period, there was a total of 5,529.04 tonnes (2019: 8,003.72 tonnes) of wastewater (with the intensity of 2.47 tonnes/tonnes of production (2019: 1.77 tonnes/tonnes of production)) produced in the oil and gas projects in the USA. The decrease in wastewater produced in 2020 was mainly attributable to the decrease in amount of oil and natural gas production in the USA during the year. For commercial waste generated from the office in the USA, it is considered as immaterial to the Group's operation because of the small number of employees working in the office.

For the silver mining business in the PRC, wastes mainly consist of waste mining rock, tailings and commercial waste which are non-hazardous wastes. Furthermore, non-hazardous wastes generated during photovoltaic power generation are immaterial. In addition, the provision of finance leasing and factoring services and the tourism business in the PRC and the trading business in Hong Kong involve mainly office operation. Hence, the major type of non-hazardous waste produced in the asset financing segment and the trading segment is the office commercial waste. It is considered as immaterial to the Group's operation because of the small number of employees working in the office. Meanwhile, the Group has taken initiatives to minimise the wastes produced. For example, employees are encouraged to sort wastes for recycling and use double-sided printing to reduce paper waste. We also donate waste electrical and electronic equipment, such as computers and printers to charity organisations or send them to recyclers for processing. Owing to the nature of office operation in the USA and HK, the non-hazardous waste mainly consists of office waste and paper waste. The office waste was collected and handled by the property management company. Hence, it is not feasible to provide the waste data this year. We will cooperate with the property management company to develop an effective system for recording waste amount in the future.

The detail of non-hazardous waste generated during the reporting period is as follows:

Non-hazardous wastes generated	Unit	PRC	USA	HK	2020 Total	2019 Total
Domestic waste	tonnes	1	N/A	N/A	1	N/A
Tailings	tonnes	18,000	–	–	18,000	N/A
Mining rocks	tonnes	15,000	–	–	15,000	N/A
Total waste	tonnes	33,001	N/A	N/A	33,001	N/A
Non-hazardous wastes generated intensity	PRC: tonnes of CO ₂ -e/m ²	0.97				PRC: N/A
	USA: tonnes of CO ₂ -e/tonnes of production		N/A			USA: N/A
	HK: tonnes of CO ₂ -e/m ²			N/A		HK: N/A

A2. USE OF RESOURCES

The Group has adopted policies, such as “Energy Resources Control Procedure”, to improve the efficient use of energy, water and other materials.

Energy

Fuel and electricity are the major energy consumptions in our daily operation. With the aim to promote energy saving, the Group has implemented different energy saving measures. For example, the Group used a smaller compressor in its oil and gas project in the USA during the reporting period. Smaller compressor leads to less natural gas to power the compressor and natural gas consumption decreased accordingly. This benefit brought to the Group started from June 2017. We foresee that the natural gas consumption will further reduce in coming years.

In office operation, the Group strives to minimise energy wastage. We encourage our employees to turn off idle electric equipment. Energy conservation reminders are placed in order to increase employees’ awareness of energy saving. Internal security staff also patrol the offices after employees finish their duties to ensure there is no wastage of power. The Group will consistently seek ways to increase energy efficiency and reduce energy consumption in the future. In light of the acquisition of photovoltaic power operation business and the increase in mining activities of the silver mining business in 2020, there was an increase in energy and fuel consumption during the year.

During the reporting period, the energy consumption is as follows:

Energy consumption	Unit	PRC	USA	HK	2020 Total	2019 Total
Purchased electricity	MWh	1,781.44	N/A ⁵	21.54	1,802.98	37.82
Natural gas	MWh	–	4,891.81	–	4,891.81	4,991.80
LPG	MWh	15.33	–	–	15.33	–
Diesel	MWh	339.12	–	–	339.12	19.38
Petrol	MWh	28.76	–	–	28.76	–
Total energy consumption	MWh	2,164.65	4,891.81	21.54	7,078.00	5,049.00
Energy consumption intensity	PRC: MWh/m ²	0.06				PRC: 0.05
	USA: MWh/tonnes of production		2.18			USA: 1.10
	HK: MWh/m ²			0.01		HK: 0.01

⁵ Electricity consumption in the USA is not available as the electricity supply is provided by the building management company.

Water

Water is another resource used in our daily operation. The Group actively seeks ways to conserve water. We raise the employees' awareness of water saving through different channels. For example, employees are reminded to turn off the tap after usage. Water pipes and taps are checked regularly to detect any risks of leakage. In light of the acquisition of photovoltaic power operation business and the increase in mining activities of the silver mining business in 2020, there was an increase in water consumption during the year.

The water consumption during the reporting period is as follows:

Water	Unit	PRC	USA	HK	2020 Total	2019 Total
Water consumption	m ³	22,093.56	N/A ⁶	27.60	22,721.16	116.60
Water consumption intensity	m ³ /m ²	0.63	N/A ⁶	2.12		PRC: 0.15 USA: N/A ⁶ HK:-

There was no issue in sourcing water fit for purpose for the year.

A3. THE ENVIRONMENT AND NATURAL RESOURCES

The Group understands that the operations of mining, oil and gas projects could have significant environmental impacts such as air pollution, greenhouse gas emission, waste generation and energy consumption. As a responsible operator, the Group considers the environmental impact of all its activities. We strive to operate in a safe manner to avoid spills, leak and accidental discharges of polluting materials.

The Group has implemented "Environmental Facilities Operation and Management System" to clearly outline the emergency procedures for any possible incident that will cause pollution to the environment. The Group and its subsidiaries have clarified the management responsibilities of each post. All environmental related incidents are reported to the local authorities. Thorough investigation and analysis are conducted to prevent the recurrence of similar kinds of incidents.

⁶ Water consumption data in the USA is not available for the year as the water supply is provided by the building management company.

B. SOCIAL ASPECTS

EMPLOYMENT AND LABOUR PRACTICES

B1. EMPLOYMENT

The Group believes that our employees are important assets and are crucial to the business success of the Group. We are committed to providing a good and safe working environment where our employees can thrive. A set of human resources management policies and procedures are in place which set out standards for compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination, and other benefits and welfare. During the reporting period, the Group complied with relevant local employment laws and regulations, including the Labour Law of the PRC and the Fair Labour Standard Act in the USA. No non-compliance regarding employment was noted during the year.

The Group provides equal opportunities to all employees and applicants for employment without regard to race, colour, religion, gender, nationality, age, disability and other factors. Employees are offered a competitive remuneration, which is in line with the market trends, according to their performance and experience to retain and motivate them.

The Group recognises that a proper balance between work and rest can help employees to realise their full potential. We provide different activities for employees to relax and improve their physical and mental health. We also strictly comply with the standard working hours and statutory holidays. Personal leave, sick leave, marriage leave, etc. are provided to employees to balance their work life and personal life.

B2. HEALTH AND SAFETY

The Group believes that workplace safety is fundamental to the success of the business. The Group's business nature – mining, oil and gas drilling activities, can be dangerous. Operation of different types of equipment, exposure to chemicals and working in confined spaces can all potentially contribute to workplace injuries. Therefore, we attach great importance to occupational health and safety of our employees. All accidents and injuries are unacceptable and we strive to eliminate all such occurrences.

The Group has implemented different policies and procedures, including "Safety, Health and Environment Policy Statement" and "Commitment to Health, Safety, and Environment" in order to create a safe working environment for employees. Based on the policies, safety and occupational health evaluation, planning and design are required to be integrated into the Group's business development strategies. All employees are reminded to conduct all activities with the utmost care and prudence for safety and health.

To strive for zero incident in workplace, the Group has implemented different health and safety training programmes, performance measurement and recognition programmes for safety achievement to increase the employees' awareness on safety issues. Regular corporate assurance reviews at operations can help identify the safety and occupational health hazards. Effective control and monitoring are in place for continuous improvement. If any deficiency is identified, we will investigate the root causes so that effective corrective actions can be implemented to prevent incidents from happening.

During the reporting period, the Group fully complied with the applicable laws and regulations relating to health and safety, including Mine Safety Law of the PRC, Law of the PRC on Prevention and Control of Occupational Diseases and Occupational Safety and Health Act in the USA. No material non-compliance relating health and safety issues was noted during the year.

B3. DEVELOPMENT AND TRAINING

The Group values continuous development and training of employees because the employees' skill and the Group's competitiveness can be both enhanced for sustainable growth of the business as a result. The Group has established "Training System" and other related internal policies with the aim to promote a learning culture for improvement. Every employee has equal opportunities for training. The Group provides diversified training programmes to employees, in particular safety training, which is our top priority to establish a corporate safety culture.

Generally, there are both internal and external trainings for employees. Orientation training is provided to new employees to allow them to be familiarised with the corporate culture and background of the Group. The Group also offers on-the-job training to existing employees based on the operation needs and their job positions. Continuous assessment is conducted to keep track of the performance of the employees. External training mainly includes certification training for specialists, such as safety management personnel. It covers a wide variety of topics, from safety management system to global energy market trends. The Group invites institutions to deliver training to ensure employees can perform duties with relevant qualifications. Subsidies and supports are given to employees to encourage them to participate in the training.

The Group believes that the professional and personal development of employees are crucial to its sustainable development. We will continue to enhance the training system in order to improve the development of employees.

B4. LABOUR STANDARDS

The Group upholds human rights and is committed to preventing child and forced labour in its business operations. The Group has implemented policies, including “Prohibition of Child Labour Recruitment and Remedies Procedures” and “Employee Policies” to strictly prohibit the recruitment of child labour and the use of forced labour. Our recruitment guideline also clearly states that person under 16 is not allowed to work in the Group and we have zero tolerance to such practice. If any cases of child labour are discovered, the following measures are implemented to protect the person and prevent the reoccurrence of such practice:

1. Prohibit the child employee from working for the Group immediately.
2. Report to the local labour authority and provide medical check for him/her. If any disease is discovered, medical treatment should be arranged and the expense is covered by the Group.
3. Contact the parents or guardian of the employee immediately and bring him/her back to his/her family. Travel expense is covered by the Group.
4. An investigation will be carried out to identify the parties who refer the child employee to the Group.

Our commitment to human rights extends to supply chain management. Suppliers are expected to follow the same standard of labour practices when working with us. The Group is in strict compliance with the Labour Law of PRC, the Provisions on the Prohibition of Using Child Labour, the Fair Labour Standards Act in the USA and other relevant laws and regulations. During the reporting period, no material non-compliance regarding child and forced labour was noted.

OPERATING PRACTICES

B5. SUPPLY CHAIN MANAGEMENT

The Group recognises suppliers, vendors and contractors as valuable stakeholders within the supply chain management as their responsible business behaviours are important in contributing to operational effectiveness and good reputation of the Group. Our supply chain partners are expected to follow the same principles as the Group and we strive to conduct businesses only with those suppliers who share the same principles with us.

The Group has formulated “Suppliers/Distributors Social Responsibilities Control Procedure” to monitor a wide range of aspects of the suppliers, from product and service quality to business ethical standards. We strive to cooperate with local suppliers whenever possible to promote local economy and strengthen the control of environmental risks related to supply chain management. The procurement department is responsible for monitoring and evaluating the performance of suppliers. Suppliers are required to sign a social responsibility agreement to undertake to comply with all local laws and regulations before working with us. If any serious cases of non-compliance are covered, we will terminate our cooperation promptly. Long-term and stable relationship with our supply chain partners is maintained based on the result of supplier assessment.

B6. PRODUCT RESPONSIBILITY

The Group attaches great importance to product quality and safety. The Group has implemented related policies and procedures to manage the quality and safety of the products and services provided. During the reporting period, the Group was in strict compliance with all the applicable laws and regulations relating to products responsibility issues, including Product Quality Law of the PRC and Law of the PRC on the Protection of Consumer Rights and Interests. No material non-compliance relating to product responsibility was noted during the year.

Quality Control

In order to strengthen quality control and stabilise product quality, the Group has established a comprehensive quality management system to monitor the production process. The Group closely monitors every process in the production to ensure the quality of products meets the standards by customers. All products sold to customers by the Group is subject to quality inspection upon taking initial samples from blasting, during processing, and before loading materials for transportation. The quality of products is recorded and analysed to ensure the quality meets the required target.

Customer Information Protection

The Group takes privacy issues very seriously and protects the privacy of its customers, business partners and staff to the utmost. "Confidentiality Regulation" of the Group is in place to ensure compliance with applicable data protection regulations. The Group has implemented corresponding technical measures to protect personal data against unauthorised use or access. Employees are prohibited from disclosing confidential information, such as the data of customers and business partners, to third parties. Documents containing confidential information are required to be stored securely with access restricted only to authorised personnel.

B7. ANTI-CORRUPTION

The Group is committed to conducting business in an ethical and honest manner. Our commitment to preventing any forms of corruption is stipulated in the "Anti-Bribery and Anti-Corruption Policy". We have zero tolerance for bribery and corrupt activities. We are committed to acting professionally, fairly, and with integrity in all business dealings and relationships. Our business partners, such as suppliers and customers, are required to comply with the standards and procedures in our anti-corruption policy. The Group has assigned a specific department to handle and manage all the issues related to bribery and corruption. Acceptance of any payments or kickbacks is strictly prohibited, and employees are required to declare any conflicts of interest. Besides, we open up communication channels for employees to report suspected cases by phone. All reported cases are promptly investigated and all information is kept confidential. The Group has the right to terminate contractual relationship with any party who breaches our anti-corruption policies. All these practical measures not only win the trust of our suppliers and customers, but also enhance the sense of belonging and fair play among our employees.

The Group constantly upholds all applicable laws relating to anti-bribery and anti-corruption in all jurisdictions in which we operate, including Anti-Money Laundering Law of the PRC and Foreign Corrupt Practices Act in the USA. During the reporting period, no non-compliance regarding corrupt practices was brought against the Group or its employees.

COMMUNITY

B8. COMMUNITY INVESTMENT

As a socially responsible company, the Group is committed to understanding the needs of the communities by implementing related policies and measures. When we undertake new projects, we work to understand the environmental and cultural considerations of the surrounding areas and communities. We take time to communicate with stakeholders and identify risks and opportunities from our development that may not be readily apparent. We implement balanced plans that couple new energy development with innovative technologies that are tailored to protect the communities where we operate. Throughout all stages of exploration and development, we work to ensure regulatory compliance and protection of our local communities. The Group focuses on four areas including living standard of community, culture, education and development, and labour cooperation for contribution.

1. Living Standard of Community

We serve the underprivileged locals to improve their living standard. For instance, we provide them with development opportunities, health care and sport activities.

2. Culture

The Group recognises that culture is a key part of our heritage and history. We support high quality cultural projects, which can enhance the living standards of the members in the communities and encourage creativity.

3. Education and Development

The Group believes that education can help equip future leaders with skills and knowledge for sustainable development. We support all the training opportunities and skills development related to the Group's business.

4. Labour Cooperation

The Group respects the freedom of labour union and the right of collective bargaining of employees. We encourage communication between the management and employees through establishing effective communication channels.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING INDEX

**Subject areas, aspects, general disclosures and
Key Performance Indicators (KPIs)****Section****Page****A. Environmental**

A1: Emissions

General Disclosure		"Emissions"	5
KPI A1.1	The types of emissions and respective emissions data	"Emissions – Air Pollutants Emission"	6
KPI A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	"Emissions – Greenhouse Gas Emission"	7
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity	No hazardous waste was produced during the reporting period.	–
KPI A1.4	Total non-hazardous waste produced and, where appropriate, intensity	"Emissions – Waste Management"	8
KPI A1.5	Description of measures to mitigate emissions and results achieved	"Emissions – Air Pollutants Emission"	6
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	"Emissions – Waste Management"	7

A2: Use of Resources

General Disclosure		"Use of Resources"	9
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	"Use of Resources – Energy"	9
KPI A2.2	Water consumption in total and intensity	"Use of Resources – Water"	10
KPI A2.3	Description of energy use efficiency initiatives and results achieved	"Use of Resources – Energy"	9
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	"Use of Resources – Water"	10
KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced	Packaging material used for finished products is not applicable to the Group's business.	–

A3: The Environment and Natural Resources

General Disclosure		"The Environment and Natural Resources"	10
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	"The Environment and Natural Resources"	10

**Subject areas, aspects, general disclosures and
Key Performance Indicators (KPIs)**
Section**Page****B. Social****Employment and Labour Practices**

B1: Employment

General Disclosure		"Employment"	11
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	–	–

B2: Health and safety

General Disclosure		"Health and Safety"	11
KPI B2.1	Number and rate of work-related fatalities	–	–
KPI B2.2	Lost days due to work injury	–	–
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	"Health and Safety"	11

B3: Development and Training

General Disclosure		"Development and Training"	12
KPI B3.1	The percentage of employee trained and employee category	–	–
KPI B3.2	The average training hours completed per employee by gender and employee category	–	–

B4: Labour Standards

General Disclosure		"Labour Standards"	13
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	"Labour Standards"	13
KPI B4.2	Description of steps taken to eliminate such practices when discovered	"Labour Standards"	13

Operating Practices

B5: Supply Chain Management

General Disclosure		"Supply Chain Management"	13
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, how they are implemented and monitored	–	–

**Subject areas, aspects, general disclosures and
Key Performance Indicators (KPIs)**

		Section	Page
B6: Product Responsibility			
General Disclosure		"Product Responsibility"	14
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	–	–
KPI B6.2	Number of products and service related complaints received and how they are dealt with	–	–
KPI B6.3	Description and practices relating to observing and protecting intellectual property rights	–	–
KPI B6.4	Description of quality assurance process and recall procedures	"Product Responsibility – Quality Control"	14
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	"Product Responsibility – Customer Information Protection"	14
B7: Anti-corruption			
General Disclosure		"Anti-corruption"	14
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 case	No concluded legal case was brought against the Group.	–
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	"Anti-corruption"	14
Community			
B8: Community Investment			
General Disclosure		"Community Investment"	15
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	–	–
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	–	–