Huili Resources (Group) Limited
滙力資源（集團）有限公司
(incorporated in the Cayman Islands with limited liability)
Stock Code: 1303

2021

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2021 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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ABOUT THIS REPORT

Huili Resources (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 governing the listing of securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") – "Environmental, Social and Governance Reporting Guide" (the "ESG 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 operating activities which are considered as material by the Group – (i) mining, ore processing and sales of nickel, copper, lead and zinc products in the People's Republic of China ("PRC"); (ii) trading of coal in the PRC; and (iii) provision of financial services in the PRC. This Report shall be published both in Chinese and English on the website of 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 2021 to 31 December 2021 (the "Reporting Period").

Contact Information

The Group welcomes your feedback on this Report for our sustainability initiatives. Please contact us by email to enquiry@huili.hk.

INTRODUCTION

During the Reporting Period, the Group carried out the coal trading business through Changzhi Runce Trading Company Limited, Gujiao Runce Trading Company Limited and Ningbo Runce Trading Company Limited in the PRC.

The Group also participated in diversified non-ferrous ore mining and processing, which included nickel, copper, zinc and lead in Xinjiang Uyghur Autonomous Region ("Xinjiang"), the PRC, and operated mining and exploration tenements and ore processing plants in Xinjiang.

The Group is also engaged in financial services through Runxi Energy Technology (Shanghai) Company Limited in the PRC.

The Group has a clear strategy for its business development. In order to achieve sustainable development for affordable capital and long-term competitiveness, we recognise the importance of operating in a responsible manner for the environment and community. Respect for stakeholders and the environment is a non-negotiable business principle throughout the Group. Our management is confident that the Group has appropriate systems in place, not only to protect the brand and its businesses, but also to provide long-term benefits to various stakeholders.

The Group's sustainability strategy is based on the compliance with the legal requirements in the area where we operate and the opinions from stakeholders. Various policies and procedures have established based on the compliance of law and business development strategies of the Group, which can help us to manage and monitor the risks related to the 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	– Compliance – Proper tax payment – Promote regional economic development and employment	– On-site inspections and checks – Research and discussion through work conferences, work reports preparation and submission for approval
Shareholders and Investors	– Return on the investment – Information disclosure and transparency – Protection of interests and fair treatment of shareholders	– Annual general meetings and other shareholder meetings – Annual reports, announcements and website
Employees	– Safeguard the rights and interests of employees – Career development opportunities – Health and safety	– Conference – Training, seminars and briefing sessions – Cultural and sport activities – Emails
Customers	– Safe and high-quality products – Stable relationship – Information transparency – Business ethics	– Website, brochures, annual reports – Email and customer service hotline – Feedback forms – Visits and meetings
Suppliers/Partners	– Long-term partnership – Honest cooperation – Fair, open – Risk reduction	– Business meetings, supplier conferences, phone calls, interviews – Regular meeting – Review and assessment – Tendering process
Peer/Industry Associations	– Experience sharing and cooperation – Fair competition	– Industry conference – Site visit
Public and Communities	– Community involvement – Social responsibilities	– Volunteering – Charity and social investment

Through general 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 environmental, social and governance ("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 (the "KPI(s)") are reported in the Report according to recommendations of the ESG Reporting Guide under the Appendix 27 of the Listing Rules and the GRI Guidelines issued by the Global Reporting Initiative.

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 the local and international industry peers.

• The materiality of each ESG areas was determined based on the importance of each ESG area to the Group through internal discussion and by referencing to the recommendation of ESG Reporting Guide.

Step 2: Prioritization – Stakeholder Engagement
• The Group discussed with key stakeholders on key ESG areas identified above to ensure all the key aspects were 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 and in compliance with ESG Reporting Guide.

The Group carried out the above-mentioned evaluation process during the Reporting Period, the result of such evaluation and those ESG areas that the Group determined to be material and important are discussed in this Report.

ESG GOVERNANCE

Board's oversight of ESG issues

Board's overall vision and strategy in managing ESG issues
The board ("Board") of directors (the "Director(s)") of the Company has a primary role in overseeing the management of the Group's sustainability issues. A ESG working group (the "ESG Working Group") is also established to assist the Board to oversight and implement the ESG policies of the Group. During the Reporting Period, the Board and the ESG Working Group spent significant time in evaluating the impact of ESG-related risks on our operation and formulating relevant policy in dealing with the risks. The oversight of the Board is to ensure the management to have all the right tools and resources to oversee the ESG issues in the context of strategy and long-term value creation.

ESG Working Group

To demonstrate our commitment to transparency and accountability, the Group has established an ESG Working Group, which has the powers delegated by the Board to implement and oversight the effectiveness of the ESG-related policies. We highly value the opinions of each stakeholder and treat them as the cornerstone for the development of the Group. During the Reporting Period, the ESG Working Group consisted of an executive Director, Group's chief financial officer and financial controller, and finance managers and operation managers of the Group's major operating segments in the PRC.

The ESG Working Group is primarily responsible for reviewing and supervising the ESG process, and risk management of the Group. Different ESG issues are reviewed by the Working Group at the meetings, which holds annually. During the Reporting Period, the ESG Working Group and the management reviewed the ESG governance and different ESG issues.

Board's ESG management approach and strategy for material ESG-related issues

In order to better understand the opinions and expectations of different stakeholders on our ESG issues, materiality assessment is conducted each year. We ensure various platforms and channels of communication are used to reach, listen and respond to our key stakeholders. Through general 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 evaluated the materiality and importance in ESG aspects through the steps: (1) material ESG area identification by industry benchmarking; (2) key ESG area prioritization with stakeholder engagement; and (3) validation and determining material ESG issues based on results of communication among stakeholders and the management.

Hence, this can enhance understanding of their degree and change of attention to each significant ESG issue, and can enable us to more comprehensively plan our sustainable development work in the future. Those important and material ESG areas identified during our material assessment were discussed in this Report.

Board review progress against ESG-related goals and targets

The progress of target implementation and the performance of the goals and targets should be closely reviewed from time to time. Rectification may be needed if the progress falls short of expectation. Effective communication about the goals and target process with key stakeholders such as employees is essential, as this enables them to be engaged in the implementation process, and to feel they are part of the change that the company aspires to achieve.

Setting strategic goals for the coming three to five years enables the Group to develop a realistic roadmap and focus on results in achieving the visions.

Setting targets requires the ESG Working Group to carefully examine the attainability of the targets which should be weighed against the company's ambitions and goals. During the Reporting Period, our Group set targets on an absolute basis.

A. ENVIRONMENTAL ASPECTS

A1. Emissions

Operation of mining 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, waste and wastewater. In pursuit of these objectives, the Group has established "Environmental Facilities Operation and Management System" to detect potential environmental hazard and has implemented corresponding mitigation measures. Regular internal inspections are in place to monitor the environmental performance of the operations in order to ensure relevant national standards were met.

The Group's operations are subject to a variety of PRC environmental laws and regulations, as well as local environmental regulations promulgated by local authorities on environmental protection. These laws and regulations govern a broad range of environmental matters, such as air emission, discharge of wastewater and waste disposal. During the Reporting Period, the Group was in strict compliance with the relevant environmental laws and regulations in the PRC and no material non-compliance was noted.

Air Pollutants Emission

Mining activities result in air pollutants emission, including nitrogen oxides, sulphur dioxide and particulate matter. To reduce and limit the emission of air pollutants, water spraying equipment have been installed in the raw materials storage area and along the internal roads in the mining sites. Dust removal equipment have also been installed to mitigate the fugitive dust emission. We have installed environmental monitoring stations to conduct environmental monitoring at mining sites.

The Group's major source of air pollutants during the Reporting Period came from vehicle usage. The increase in the air pollutants emission generated from mobile source in 2021 was mainly attributable to the increase in vehicle usage for review of the operations of the mine and processing plant during the Reporting Period in order to ensure its safe and environmental operation and green development of the mining segment. The lesser usage in vehicle due to the lockdown in Xinjiang in 2020 also contributed to the increase in the air pollutants emission during the Reporting Period. The Group targets to reduce the air pollutants generated by 5% by 2025.

The air pollutants emission during the Reporting Period is as follows:

Air Pollutants Emission	Unit	2021	2020
Nitrogen oxides (NO_x)	kg	7.73	4.34
Sulfur dioxide (SO_2)	kg	0.24	0.14
Particulate matter (PM)	kg	1.04	0.58

Greenhouse Gas ("GHG") Emission

The Group recognises that climate change poses a risk to its business and it 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 the carbon footprint by minimising the energy consumption in the business operation. Policies and procedures adopted on energy saving are mentioned in the section "Use of Resources" in order to reduce GHG emission. The increase in the GHG emission from Scope 1 was mainly attributable to the increase in vehicle usage for review of the operations of the mine and processing plant during the Reporting Period in order to ensure its safe and environmental operation and green development of the mining segment. The lesser usage in vehicle due to the lockdown in Xinjiang in 2020 also contributed to the increase in the air pollutants emission during the Reporting Period. The decrease in the GHG emission from Scope 2 was due to the effective implementation of electricity reduction policy during the Reporting Period. The Group targets to reduce the GHG emission generated by 5% by 2025.

The GHG emission during the Reporting Period is as follows:

GHG Emission[1]	Unit	2021	2020
Scope 1[2]	tonnes of CO_2-e	7.18	3.98
Scope 2[3]	tonnes of CO_2-e	46.00	59.77
Total GHG emission	tonnes of CO_2-e	53.18	63.75
GHG emission intensity	tonnes of CO_2-e/m^2	0.08	0.10

Solid 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 waste production and handling waste in a responsible manner.

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

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

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

During the Reporting Period, the Group conducted further exploration in the Baiganhu Gold tenement and H-989 tenement, the Group considered that it is not economical to carry out further exploration works on its own and decided temporarily not to extend the exploration permit. The Group did not carry out any production and mining activities during the Reporting Period. As the exploration works conducted during Reporting Period did not involve drilling works, and therefore, there was no generation of hazardous waste. The major operation of the Group was in the office and thus commercial waste is the major type of non-hazardous waste produced. Non-hazardous waste production was considered as immaterial to the Group's operation because of very few employees working in the office. Even the production of commercial waste was considered as insignificant, we have implemented following measures to reduce wastes generated from the office to the minimal:

- Reduce paper consumption through application of computer technology (e.g. written communication by email, use computer to store documents), double-sided printing and the use of recycled papers.

- Put recycling boxes near the photocopiers to collect papers for reuse and recycling.

- Encourage employees to reuse stationery, e.g. used envelope and document folder.

- Avoid using disposable utensils and reducing take-away food.

- Donate waste electrical and electronic equipment (e.g. computer, printer, photocopier, kettle or microwave, etc.) to charity organisations or send them to recyclers for recycling.

Wastewater

For mining operation, wastewater tank, waste wastewater treatment and reusable system have been built to treat the sewage produced. The treated sewage is regularly tested before discharge so as to ensure relevant national environmental standards are met.

A2. Use of Resources

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

Energy

Fuel and electricity are the major resources consumptions in our daily operation. With the aim to promote energy preservation, we consistently seek ways to improve energy efficiency and lower electricity usage in our facilities. We motivate all our employees to participate in the energy conservation activities and encourage them to save energy. The decrease in the energy consumption during the Reporting Period was mainly contributed by the effective implementation of electricity reduction policy during the Reporting Period. Furthermore, the Group targets to reduce the energy consumption generated by 5% by 2025.

The Group implemented following measures to reduce energy consumption:

• Maintain room temperature at around 25 degrees Celsius.

• Switch off all the electrical appliances when leaving the office.

• Use energy-saving light bulbs, such as compact fluorescent lamps, T5 fluorescent lamps, LED, etc.

• Choose fuel-saving vehicles with high emission standards.

• Encourage the use of public transportation, instead of the private vehicle.

• Encourage the use of technology in meeting arrangement, such as video conferencing or tele-conferencing, instead of face-to-face meeting in order to reduce the use of transportation.

• Plan the travelling routes before using every time to improve the vehicles utilisation.

During the Reporting Period, the energy consumption are as follows:

Energy consumption	Unit	2021	2020
Purchased electricity	MWh	51.55	66.73
Petrol	MWh	29.24	16.20
Total energy consumption	MWh	80.79	82.93
Energy consumption intensity	MWh/m^2	0.12	0.13

Water

Water is another resource used in our daily operation. The Group actively seeks ways to conserve water. As the water supply for Hong Kong office is solely controlled and centrally managed by their respective property management company of the building, it is not feasible for the Hong Kong office to provide water consumption data as there is no separate meter for each individual office unit on the water usage record. However, we still actively seek ways to reduce water consumption in Hong Kong office. For mining business, wastewater treatment and reusable system has been built to recycle the wastewater so as to reduce water usage. Our mining operations do not require consumption of a substantial amount of water directly. Instead, water is mainly for domestic usage by our employees working in the mining areas. We encourage our employees to save water usage by increasing their awareness through different channels. For example, employees are reminded to turn off the water taps after usage. The decrease in water consumption in 2021 was mainly attributable to due to the effective implementation of water saving strategies during the Reporting Period. Furthermore, the Group targets to reduce the water consumption generated by 5% by 2025.

The water consumption during the Reporting Period is as follows:

Water consumption	Unit	2021	2020
Water consumption	m^3	2,923.83	3,850.00
Water consumption intensity	m^3/m^2	4.51	5.94

A3. The Environment and Natural Resources

The Group understands that the operations of mining activities could have significant environmental impacts. 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 incident.

A4. Climate Change

Governance

Our Group addresses climate-related risks based on the nature of the risk to our operations. The physical impacts of climate change, including extreme weather events, or damage to facilities have immediate operational impacts and are treated as operational risks. Long-term challenges, such as emerging ESG issues and climate-related risks and opportunities, may be discussed by the Group's ESG Working Group. Our ESG Working Group provides effective governance for integrating and addressing ESG issues, including climate change, within our business.

To ensure our Board and ESG Working Group to keep up with the latest trend of climate-related issues, the Board and ESG Working Group will be regularly provided updates on latest ESG trend and ESG-related materials. Members of the Board and the ESG Working Group are also encouraged to participate external trainings or seminars at the expense of the Company to ensure they are equipped with necessary knowledge, expertise and skills to oversee the management of climate-related issues.

Supported by our ESG Working Group, our Board oversees and reviews climate-related issues and risks regularly and ensures that the management incorporated into our strategy.

Upon the request by the Board, the Board can also seek external professional advice at the expenses of the Company if they consider it is necessary and more efficient and effective to support their decision-making process.

The ESG Working Group is responsible for approving operational emissions targets for the Group and commissioning an ESG benchmarking, as well as gap analysis exercise to identify gaps in both disclosure and policy relative to best practice standards. Moreover, the ESG Working Group works closely with the Group's different operation departments, with an aim to develop consistent and enhanced approaches on addressing ESG risk issues and report to the management.

Strategy

Climate change risk forms part of our overall risk profile through its role in increasing the frequency and intensity of certain diseases, and the health and mortality impacts resulting from natural disasters. We assess the overall level of risk by taking into consideration a range of diverse risk factors across the many categories in our product or services range.

This diversity of risk is combined with our business strategy and broad geographic footprint helps us distribute risk and provide protection against the impacts of short-term climate change effects. Our products and services continue to provide protection for people in our communities against weather and heat-related disease. Besides, we continue to explore opportunities to engage our business partners and encourage them to develop climate resilience and reduce their operational carbon footprint by taking into consideration of different climate-related scenarios, including a "2°C or lower scenario" through the following steps:

Step 1: Set Future Images Assuming Climate Change Effects

As climate change measures proceeds, there is a possibility that the industry will be exposed to substantial changes, such as stricter policies including the introduction of and increases in carbon pricing, as well as advances in technology and changes in customer awareness. In light of these climate change effects, based on the International Energy Agency ("IEA") scenarios and others, we developed multiple future images as the external environment that will surround our Group.

With regard to the IEA scenarios, we put focus on the 2°C scenario (2DS) and pictured future images in case where climate change measures do not progress and where such measures progress further "Beyond 2°C scenario".

Step 2: Consider the Impacts

We considered the impacts on our Group for each of the future images developed in Step 1. We believe that it will be possible to expedite carbon dioxide reduction effects in our society.

With regard to the effects on raw material procurement, mining exploration and processing activities, introduction of and increases in carbon pricing is anticipated in accordance with the global advance of climate change measures, leading to the possibility of higher raw material procurement and production costs.

On the other hand, in the case where climate change measures are not adequate throughout society, production interruptions and supply chain disruptions are likely to increase as a result of higher frequency and intensification of natural disasters such as flooding.

Step 3: Respond to the Strategies

Our Group will begin promoting the reduction of non-renewable energy in our daily operation. This strategy will allow for flexible and strategic responses to each demand for the regions where the emission factors of purchased electricity consumptions are high. By promoting real carbon emissions reductions throughout the world through these types of initiatives, we are working to achieve zero carbon emission in our business.

We minimize carbon emissions through comprehensive energy-saving program and introduction of energy saving facilities.

With regard to the ongoing confirmation of the suitability and progress of the Group's strategies, we believe that we will have opportunities for stable funding and sustainable increase in corporate value through appropriate information disclosure, dialogue with institutional investors and other stakeholders.

Risk Management

Our Group identifies the climate change related risks or to test the existing risk management strategies under climate change with the aid of risk assessment. Hence, the areas where new strategies are needed can be identified.

The risk assessment takes a standard risk-based approach using national data, local information and expert knowledge, which can identify how climate change may compound existing risks or create new ones.

The risk assessment is conducted through the following steps:

Step 1: Establish the context
• Objective/goal

• Scale

• Time frame

• Climate change scenario for most climate variables and sea level

Step 2: Identify existing risk (past and current)
• Identify the record of occurrence of climatic hazard in the past in the area

• Risk management strategies in place to tackle future occurrence of the hazard

Step 3: Identify future risk and opportunities
• Explore climate change projections for the selected time frame(s) and emission scenario(s)

• Identify potential hazards

• Investigate whether any existing risk from Step 2 may get worse under future projected changes

• Identify new risks that can emerge under future projected changes

Step 4: Analyze and evaluate risk
- Identify a set of decision areas or systems (i.e., geographical areas, business operation, assets, ecosystems, etc.) that has the potential to be at risk in future

As outlined within the in the section headed "Governance" under the section "A4. Climate Change", the Group has robust risk management and business planning processes that are overseen by the Board in order to identify, assess and manage climate-related risks. The Group engages with government and other appropriate organizations in order to keep abreast of expected and potential regulatory and/or fiscal changes.

We continue to raise awareness of climate change in regard to monitoring of carbon and energy footprint in our daily operation. However, there remains gaps in understanding how such climate risks and opportunities may impact our operations, assets and profits. Our Group assesses how the business addresses climate change risks and opportunities and takes the initiative to monitor and reduce their environmental footprint.

Significant Climate-related Issues

During the Reporting Period, the significant climate-related physical risks and transition risks, which have impacted and/or may impact our Group's business and strategy in (i) operations, products and services, (ii) supply chain and value chain, (iii) adaptation and mitigation activities, (iv) investment in research and development, and (v) financial planning, as well as the steps taken to manage these risks, are as follows:

Detailed description of risks	Financial Impact	Steps taken to manage the risks
Physical Risk Acute physical risks		
• Increased severity and frequency of extreme weather events such as cyclones and floods, strong wind. Hence, staff are easily injured. In addition, under the extreme weather events, the costs of transportation, communications and living increase, which may lead to financial loss to our Group.	• Operating cost and repairing expenses increase. • Capital cost increases due to the damage of facilities.	• Planned to establish a natural disasters emergency plan. • Planned to devise an action plan to articulate the goals and targets of the reductions in GHG emission and energy consumption. Outlined the plan to achieving those targets and defined responsibilities.
• Increased likelihood and severity of wildfire, which may hinder the operations of factories. Financial loss occurs due to the interruption of supply chain, logistics and transportation in our business operation.		

Detailed description of risks	Financial Impact	Steps taken to manage the risks
Chronic physical risks • Changes in precipitation patterns and extreme variability in weather patterns. Frequent extreme weather events and rising in sea levels are likely to pose disruptions to communities across the region over the long term, affecting economic output and business productivity. • Governments that have been pushing for new regulation to reduce GHG emission will pose a threat to financial performance of a business and increase regulatory risk.	• Revenue reduces. • Operating cost increases.	• Planned improvements, retrofits, relocations, or other changes to facilities that may reduce their vulnerability to climate impacts, and increases climate resilience in long term. • Record the energy consumption to identify peaks in usage, thus significant savings could be determined. • Engaged with local or national governments and local stakeholders on local resilience.
Transitional Risk Policy risk • As a result of energy efficiency requirements, carbon-pricing mechanisms increase the price of fossil fuels, or policies to encourage sustainable land use, hindering the area of expansion, which increase the operation cost. • Mandates on and regulation of existing products and services as of the tightened environmental and safety laws and standards of oil. We have to spend much compliance cost to update or maintain the equipment to fulfil the new regulations.	• Operating cost increases due to increased insurance premiums for the factories. • Risk of trade increases.	• Planned to conduct a carbon footprint survey, in order to work out the company's footprint, to prioritize energy and waste reductions. • Monitor the updates of the relevant environmental laws and regulations against existing products and services, to avoid the unnecessary increase in cost and expenditure due to non-compliance.

Detailed description of risks	Financial Impact	Steps taken to manage the risks
Legal risk • Exposure to litigation risk. We have to adapt the tightened law and regulations imposed by the government due to climate change, as well as bear the risk of potential litigation once we fail to obligate the new regulations. • Enhanced air pollutant emissions-reporting obligations for local government, and we may have to spend more time on fulfilling the ESG reporting standards to comply with the Listing Rules.	• Operating cost increases.	• Monitored the updates of environmental laws and regulations and implemented GHG emissions calculations in advance. • Continued monitoring of the ESG reporting standards of the Listing Rules.
Technology risk • Developing the low carbon energy saving technologies, the capital investment and research and development ("R&D") expense increase consequently. • More green building strategies with low-carbon, energy-saving technologies are adopted by industry peers. Lagging behind may weaken our competitive edges.	• Capital investment increases. • R&D expense increases.	• Planned to invest in the innovations of energy saving technologies. • Examined the feasibility and benefits of applying the latest low-carbon and energy-saving technologies into our operation.

Detailed description of risks	Financial Impact	Steps taken to manage the risks
Market risk • More customers are concerned about climate-related risks and opportunities, which may lead to changes in customer preference. • Inability to attract co-financiers and/or investors due to uncertain risks related to the climate.	• Revenue decreases. • Operating cost increases. • Production cost increases.	• Fulfilled the climate-related regulations by the government. • Prioritize the climate change as a high concern in the market decisions to show to the clients that the company is concerned about the problem of climate change.
Reputational risk • Unable to fulfil the expectations of the customers, damage the Group's reputation and image. • Stigmatization of our business sector, such as more stakeholder concern or negative stakeholder feedback on the product designed in a less environmentally-friendly way.	• Revenue decreases from decreased demand for goods and the decrease in production capacity. • Operating costs increases from negative impacts on workforce management and planning.	• Supported the green productions. • Fulfilled the social responsibility by organizing more activities or executing actions to demonstrate how we place importance on climate change.

During the Reporting Period, the primary climate-related opportunities and the corresponding financial impacts were as follows:

Detailed description of climate-related opportunities	Financial Impact
Resource efficiency	
• Use of more efficient modes of transport	• Operating cost reduces through efficiency gains and cost reductions
• Encourage the use of public transportation	
• Use of more efficient production and distribution processes	
• Use of recycling	
• Reduce water consumption	
Energy source	
• Use of lower-emission sources of energy	• Operating cost reduces through use of lowest cost abatement
• Use of supportive policy incentives	
• Use of new technologies	• Returns on investment in low- emission technology increases
• Shift toward decentralized energy generation	
Products and services	
• Development of climate adaptation and insurance risk solutions	• Revenue increases through new solutions to adaptation needs, such as insurance risk transfer of products and services
• Ability to diversify business activities	
• Development of new products or services through R&D and innovation	
Markets	
• Access to new markets	• Revenue increases through access to new and emerging markets

Detailed description of climate-related opportunities	Financial Impact
Resilience • Participation in renewable energy programs and adoption of energy-efficiency measures • Resource substitution or diversification	• Market valuation increases through resilience planning, such as planning of the research in the use of electric vehicles • Reliability of supply chain and ability to operate under various condition increases • Revenue increases through new products and services related to ensuring resiliency

Metrics and Targets

Our Group adopts the key metrics to assess and manage climate-related risks and opportunities. The energy consumption and GHG emissions indicators are the key metrics used to assess and manage relevant climate-related risks where we consider such information is material and crucial for evaluating the impact of our operation on global climate change during the year. Our Group strives to track our energy consumption and greenhouse gas emissions indicators regularly to assess the effectiveness of emission reduction initiatives, as well as set targets to contribute our effort to have minimal impact on global warming.

The details are described in the sections "A1. Emissions" and "A2. Use of Resources" of this Report. Our Group has adopted absolute target to manage climate-related risks and opportunities and performance.

B. SOCIAL ASPECTS

B1. Employment

The Group believes that people 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 opportunity, 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. No non-compliance regarding employment was noted.

The Group provides equal opportunities to all employees and applicants for employment without regard to race, colour, religion, gender, national origin, 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. They are also provided with social insurance and housing provident fund which is in accordance with the related PRC laws and regulations.

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 and life.

As at 31 December 2021, the employee compositions (in percentage of employees) by gender, age group, geographical region, employment category and employment mode were as follows:

Employee compositions	2021	2020
By gender		
• Male	57%	62%
• Female	43%	38%
By age group		
• Age 30 or below	32%	12%
• Age 31–40	34%	44%
• Age 41–50	6%	15%
• Age 51 or above	28%	29%
By geographical region		
• Hong Kong	19%	29%
• PRC	81%	71%
By employment category		
• Senior management	9%	9%
• Middle management	19%	35%
• General	72%	56%
By employment mode		
• Full-time	100%	100%
• Part-time	–	–

The employee turnover rate during the Reporting Period by gender, age group and geographical region are as follows:

Employee turnover	2021	2020
By gender		
• Male	75%	36%
• Female	42%	–
By age group		
• Age 30 or below	90%	83%
• Age 31–40	87%	7%
• Age 41–50	75%	44%
• Age 51 or above	–	–
By geographical region		
• Hong Kong	11%	10%
• The PRC	77%	29%
Overall	**62%**	**23%**

B2. Health and Safety

The Group believes that workplace safety is fundamental to the success of the business. We understand that our business nature, which is mining and trading activities, can be dangerous to our employees. Operation of different types of equipment, exposure to chemicals and working in confined spaces can all 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.

We place high emphasis on matters relating to occupational health and safety. Thus, we have implemented different policies and procedures, including "Safety, Health and Environment Policy Statement" in order to provide a safe working environment to employees and third-party contractors. The Group has obtained mining permit and safety production permit for our mining operations. We require our contractors to possess requisite production licences and relevant qualifications for work they contract from us and to undertake appropriate safety measures. Safe operation is always our goal. We have implemented the following measures to reduce the risks associated with occupational health and safety:

1. Firefighting areas, which are equipped with fire hose, firefighting sand, fire sand buckets, spades and fire extinguishers, are set up in the sites.

2. Safety facilities have to be inspected by the competent safety production supervision and administrative authorities with pass before the production commences.

3. Training on production safety is provided to employees to increase their knowledge, skills and awareness.

4. Minors and women are strictly prohibited from being involved in any underground production activities.

We have implemented a safety production operational manual covering areas of safety production accountability system, safety production responsibility in each position, safety operation work flow and management system in different areas. A safety accountability system is developed with clear reporting lines from each department and working level to the top management. The roles and responsibilities of each supervising staff and worker is clearly defined and each supervising staff is accountable for his/her respective areas of responsibility. The safety operation flows with regard to the safety inspection before operation, use of equipment, working procedures and required manpower for each working unit are clearly stated. Our staff and subcontractors are required to strictly adhere to them. Rewards and punishments system are also established in order to motivate our staff to follow the safety policies and to develop a safe and healthy working environment.

In order to prevent potential hazards and identify dangerous areas, we carry out periodic inspection from time to time. We conduct regular safety examinations on a semi-annual basis. Regular internal examinations are conducted on a semi-month basis, which are led by mine and concentrator managers. The examination of specific processes and facilities is conducted by team leaders on a daily basis at the mines. The inspection includes different aspects, such as process of exploration, mining, demolition, electricity-supply, water-resistance and plant machinery and equipment, etc.

During the Reporting Period, the Group fully complied with the laws and regulations relating to health and safety, including Mine Safety Law of the PRC, Regulation on Implementation of Mine Safety Law, Regulations on the Safety Production Permit, and all other applicable laws and regulations. No material non-compliance relating health and safety issues was noted.

During the Reporting Period, there was no work injury case (2020: Nil, 2019: Nil) and no lost day (2020: Nil) due to the minor injuries during our business operation. There was no work-related fatality case (2020: Nil, 2019: Nil) during the Reporting Period. Employees were given paid sick leave for their recovery. Overall, no employees had serious accident during the Reporting Period.

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. 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. The training includes introduction to relevant regulations and general safety awareness, and workshop specific training to the work area and the role of the individual within the workshop. Apart from orientation training to new employees, continuous training and education, including both on-the-job training and external training, are also conducted for existing employees in order to enhance their working skills and safety awareness. On-the-job training to existing employees is based on the operation needs and job positions. Continuous assessment is conducted to keep track on 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 also encourages the employees to participate external training to enhance their working skills with full reimbursement of the whole amount of the training fee upon successful completion of the training. For example, our mine directors and safety inspectors are required to hold Management Personnel Work Safety Permit which is issued by local Administration of Work Safety Department in order to be eligible to work in the mining sites.

The Group believes that the professional and personal development of employees are crucial to its sustainable development. We will further implement various training programmes, with the support of our external institutions, to update our employees on the relevant laws and regulations and increase their safety awareness.

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 case of child labour is discovered, the following measures are implemented to protect the person and eliminate the case from happening again:

1. Stop the child employee from working.

2. Report to the local labour authority and provide medical check for him/her. If any disease is discovered, medical treatment will be arranged and the expense will be covered by the Group.

3. Contact the parents or guardian of the employee immediately and bring him/her back to home. Travel expense will be covered by the company.

4. An investigation will be carried out to find out the parties that introduce child employee to the Group.

Our commitment to human rights extends to supply chain. 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 and other relevant laws and regulations. During the Reporting Period, no material non-compliance regarding child and forced labour was noted.

B5. Supply Chain Management

The Group recognises suppliers, vendors and contractors as valuable stakeholders within the supply chain 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 Group's quality, safety and environmental standards. We strive to conduct businesses only with those suppliers who can carry out their work in accordance with our required standards. During the Reporting Period, the Group had 17 suppliers (2020: 7 suppliers) suppliers which were located in the PRC.

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 promise its compliance with all local laws and regulations before working with us. If any serious case of non-compliance is discovered, 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.

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 are 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 make sure the quality meets the required target.

Customer Information Protection

The Group takes privacy issues very seriously and protect 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 commercial 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 to 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 principles. All these practical measures not only maintain the trust between suppliers and customers, but also enhance the sense of belonging and fair play among our employees.

The Group constantly upholds all laws relating to anti-bribery and anti-corruption in all jurisdictions in which we operate, including Anti-Unfair Competition Law of the PRC and Anti-Money Laundering Law of the PRC. During the Reporting Period, no non-compliance regarding corrupt practices was brought against the Group or its employees.

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 understand the environmental and cultural considerations of the surrounding areas and communities. We take time to speak with stakeholders and identify risks and opportunities from our development that may not be readily apparent. We devise balanced plans that couple new energy development with innovative technologies that are tailored to protect the locations 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 corporation for contribution.

1. **Living Standard of Community**

   We serve the underprivileged locals to improve their living standards. For instance, we provide them with development opportunities.

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 community 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 an effective communication channel.

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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.	N/A

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KPI B6.2 Number of products and service related complaints received and how they are dealt with	–	N/A
KPI B6.3 Description and practices relating to observing and protecting intellectual property rights	–	N/A
KPI B6.4 Description of quality assurance process and recall procedures	"Product Responsibility – Quality Control"	24
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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 during the reporting period.	24
KPI B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	"Anti-corruption"	24

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B8: Community Investment		
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KPI B8.2 Resources contributed (e.g. money or time) to the focus area	–	N/A