



中裕能源控股有限公司

ZHONGYU ENERGY HOLDINGS LIMITED

Stock Code 股份代號: 3633



2023 環境、社會及管治報告

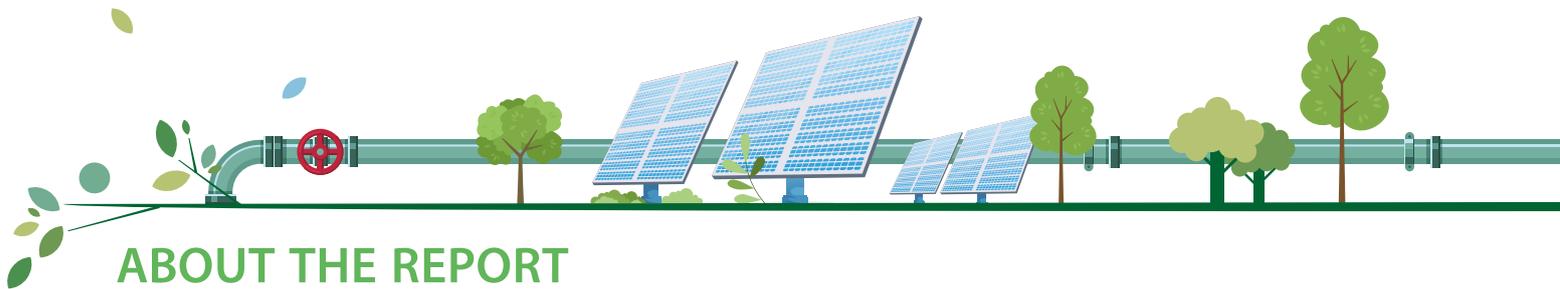
Environmental, Social
and Governance Report

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ABOUT THE REPORT

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Zhongyu Energy Holdings Limited (“Zhongyu Energy” or the “Company”) and its subsidiaries (collectively referred to as the “Group”) publishes the “Environmental, Social and Governance Report 2023” (the “Report”) whereby reporting on the policies, measures and performances in the environmental, social and governance (“ESG”) aspects of the Group, provides stakeholders with a better understanding of the Group’s progress and direction on sustainable development. The Group publishes annual ESG report regularly for the public to access and continues to improve the transparency of information disclosure.

To facilitate representation and easy for reading, Zhongyu Energy uses “Zhongyu”, the “Group” and “We” respectively as the representation in the report.

The Report is available in both Chinese and English and has been uploaded to the websites of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Group website www.zhongyuenergy.com. In case of any conflict or inconsistency between the Chinese and English versions, the Chinese version shall prevail. In case of any conflict or inconsistency between the Report and the annual report, the annual report shall prevail.

SCOPE OF THE REPORT

The environmental and social key performance indicators disclosed in the Report remains unchanged, and cover all operations and businesses in Hong Kong and Mainland China.

The Report covers the sustainability performance of the Group’s daily operations and businesses from 1st January, 2023 to 31st December, 2023 (the “Year”). Businesses of the Group mainly include the sales of gas, the operation of CNG/LNG vehicle filling stations, gas pipeline construction, value-added services and smart energy. The Group will continue to improve the internal data collection system to provide stakeholders with more comprehensive and accurate information in the future.

STANDARDS OF THE REPORT

The Report is prepared in accordance with Rule 13.91 and the “Environmental, Social and Governance Reporting Guide” (the “Guide”) set out in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Report will be prepared on the basis of four reporting principles – Materiality, Quantitative, Balance and Consistency.

Materiality principle – conduct regular materiality assessment to identify the issues with significant impact on the Group and related stakeholders, and ensure those issues are reflected in the Report.

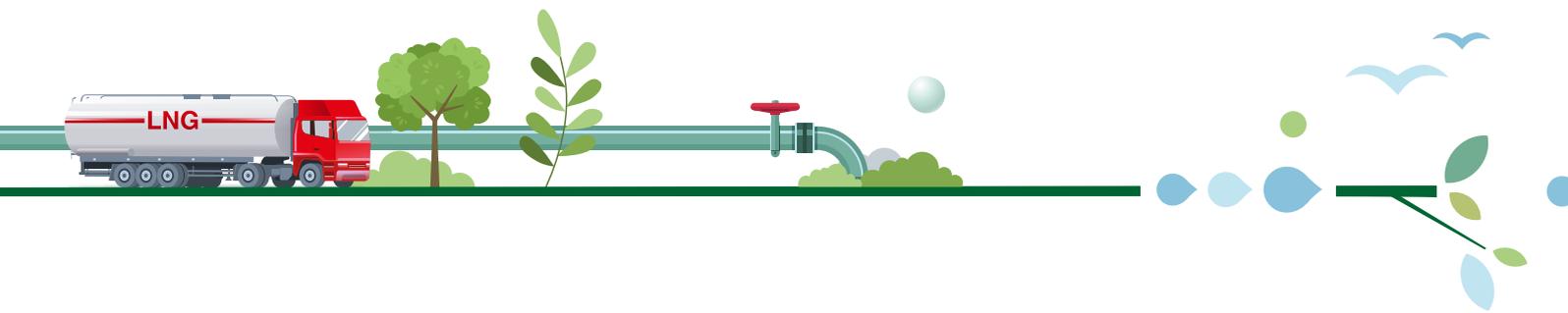
Quantitative principle – report quantifiable data, whenever possible, with explanations.

Balance principle – reasonably disclose the risks and opportunities faced by the Group currently and in the future as well as the positive and negative influences brought by the businesses, to enable readers to make a reasonable assessment of the overall performance of Zhongyu Energy.

Consistency principle – adopt consistent methodologies as much as possible in preparation and specify and explain the significant changes in the Report to allow for meaningful comparisons.

INFORMATION COLLECTION AND CONFIRMATION

The content and data presented in the Report is derived from documents and statistical information of all functional departments of the Group. With reference made to the related systems and policies, consolidation and integration with monitoring, management and operational data from related departments and subsidiaries have been carried out. Should there be no specific explanation, all amounts disclosed in the Report shall be denominated in RMB.



The Report is prepared by the ESG Office of the Group and has been considered and passed by the ESG Committee and the board of directors. The Group has established an internal supervision, examination and risk management mechanism to ensure that all information presented in the Report is accurate and reliable.

The Report was confirmed and approved by the board of directors of the Company and the ESG Committee on 17th April, 2024.

FEEDBACK

Opinions and suggestions from stakeholders will help the Group establish more comprehensive sustainable development strategies in the future. If you have any questions about the content or reporting format of the Report, please feel free to contact the Group.

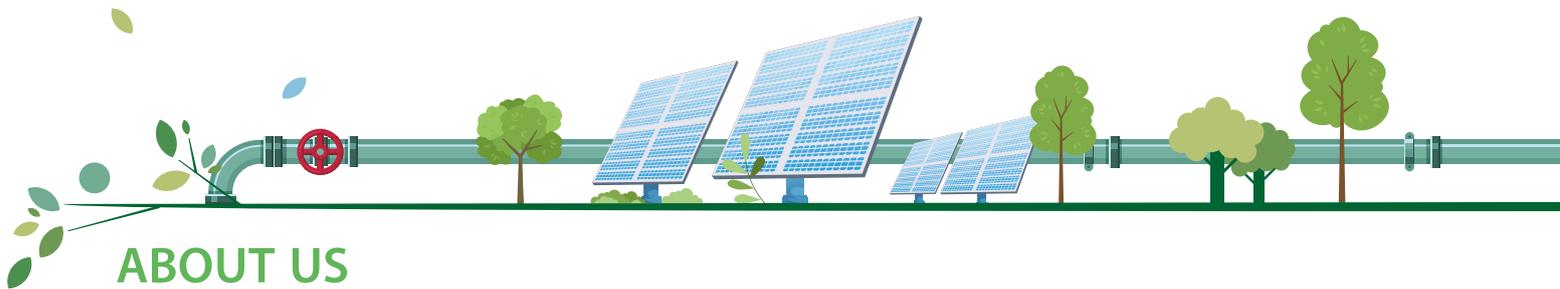
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ABOUT US

Zhongyu Energy (Stock Code: 3633.HK), under the current new situation of energy transformation and “carbon neutrality”, starting from its own business, has extensively deployed smart energy business, made breakthroughs in the Group’s original business model, and promoted national theme strategies such as low-carbon transformation.

INTEGRATED ENERGY SERVICE PROVIDER

As a forerunner in the domestic gas industry with “developing clean energy and achieving a better life” as its mission, Zhongyu Energy strives to optimise the energy structure of the regions where it operates, promote the conservation of resources, enhance the quality of life of the citizens, and make due contribution to the quality of environment. Since its establishment in 2002, from establishing a foothold in a region to operating a network across the nation, Zhongyu Energy has been forging ahead with determination towards the goal of “becoming the most valuable integrated energy service provider”. As at 31st December, 2023, the Group has 75 gas projects with concession rights across 11 provinces. It has constructed accumulated intermediate and main pipeline network of approximately 27,754km and operated 260 smart energy projects nationwide, serving approximately 5 million residents and industrial and commercial customers with safe, reliable and clean energy products and services.

Currently, Zhongyu Energy involves in a variety of businesses in the city gas sector, such as residential cooking, gas boiler heating, hotel hot water system, gas air-conditioning and commercial catering. At the same time, it actively explores one-stop services and has provided one-stop services of gas boilers for numerous schools. It also provides one-stop services of central heating for various residential communities. In the industrial fuel sector, the Group involves in dozens of industries such as chemical industry, construction materials, metal smelting and food processing, including central enterprises, state-owned enterprises and leaders of various industries. In line with the national “dual-carbon” strategy, and to meet its own needs for optimisation and adjustment of business structure, Zhongyu Energy has scientifically deployed its development in the green energy market, and continued to further focus on the three major smart energy business segments including energy management contract, district energy supply, and low-carbon transportation.

New strategy of business layout

In 2021, Zhongyu Energy put forward the proposal for transformation and development and firmly implemented the “dual-wheel drive” development strategy to promote the transformation of the Group’s businesses towards a cleaner and low-carbon direction. From the perspective of business structure, the Group is deeply rooted in the core urban gas business, and has built a customer-oriented high-quality industrial and commercial service system for labours, expanding value-added business and new retail market based on high customer stickiness. At the same time, the Group will adopt the strategy of industry chain integration, actively respond to the market changes after the establishment of PipeChina, and promote gas source protection and energy trade.

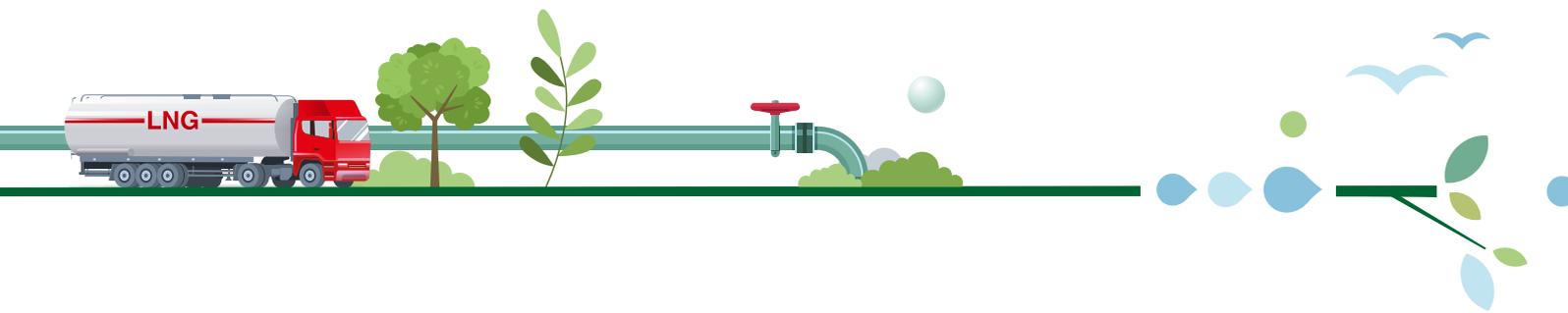
Focusing on the natural advantages in the energy industry brought by the urban gas business, the Group vigorously promotes low-carbon construction, low-carbon industrial parks, energy custody services, industrial energy-saving transformation, incremental power distribution operations and other related businesses. It also actively expands the clean energy market and contributes to the green and sustainable development of the country. Currently, with the city gas business of the Group developing steadily and the smart energy business growing rapidly, the “dual-wheel drive” pattern is gradually becoming clearer.

“DUAL-WHEEL DRIVE” TO CREATE A GREEN AND LOW-CARBON FUTURE

In response to the national “30-60” dual-carbon goal, and in response to the energy market reform, Zhongyu Energy, based on its main business, continuously explores the industrial chain, builds an ecosystem, and is committed to expanding new business forms and creating new values. Focused on the operating principle of “market-driven, customer-oriented, and efficiency-centred”, safeguarding energy safety and supply and low-carbon green development have now become the consensus of the whole industry. Zhongyu Energy has taken the initiative to participate in the high-quality development of energy based its own actual condition. While coordinating works in relation to assurance of energy safety and green transformation, and ensuring the steady development of its gas business, it adapts to the development trend of green and low-carbon transformation, and continues to explore the smart energy business, with a view to realizing the efficient synergy between city gas and smart energy, and hence promoting the green and low-carbon transformation of energy with real actions.

In 2023, the Group’s Green Financing Framework was awarded the “Second-party Opinion on Green and Sustainable Financial Framework” by the Hong Kong Quality Assurance Agency, which not only demonstrated the Group’s determination and achievements in promoting green and sustainable development, but also actively promoted its progress towards the “dual-carbon” goals, laying a solid foundation for the implementation of its low-carbon energy transformation. During the Year, the Group won the “Outstanding Award for Green and Sustainable Loan Issuer – Visionary Green Loan Performance Metrics (Public Utility)” and “Pioneering Organisation in ESG Disclosure Enhancement” awards for its innovative achievements in green finance and proactive performance in ESG disclosure, which is the second consecutive years for the Group to received such awards.

In the future, Zhongyu Energy will continue to take “developing clean energy and achieving a better life” as its development mission, fully grasp the opportunities of green finance and sustainable development, solidly promote the city gas business, innovatively develop the green energy business. At the same time, it will assume social responsibilities, strengthen its own governance, and optimize the ESG and climate risk-related disclosure, so as to comprehensively enhance the market competitiveness of the company, and to contribute to the green and sustainable development of the country.



BUSINESS OVERVIEW

Currently, the Group's business development is diversified and has shifted from "start and thrive" to a stage of "steady and acceleration".

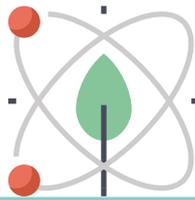
City Gas Service

Stick to the safety bottom line and enjoy high-quality service



Smart Energy

Building a diversified, low-carbon, safe, intelligent, clean, and efficient new energy system



Value-added Business and New Retail

Protect high-quality gas life and provide brand-new living experience



Energy trading

Integrate channel resources and build an energy competitiveness platform



AWARDS AND ACCOLADES

Zhongyu Energy has made great efforts in the area of green finance and ESG risk management in recent years and has received the following awards and accolades in 2023.



Guangdong-Hong Kong-Macao Greater Bay Area Innovation and Technology Development Award and Most Valuable Brand Award



Corporate Green Financing Best Action Award



Outstanding Award for Green and Sustainable Loan Issuer (Public Utility) – Visionary Green Loan Framework



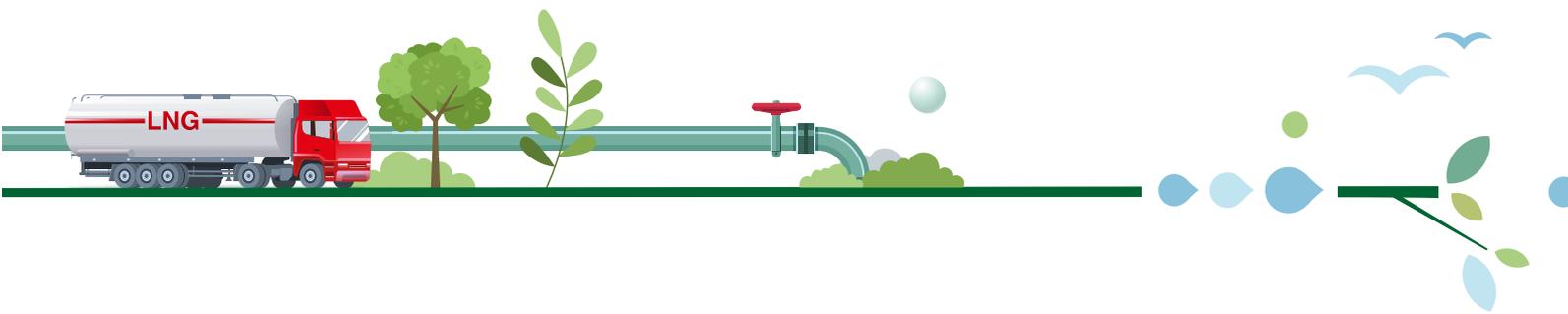
Most Valuable Social Service Company

CHAIRMAN'S STATEMENT



While the domestic and international environments remained complex and volatile in 2023, Zhongyu Energy continued to optimize the energy structure in its operating regions and promote the building of a resource-saving and environmentally friendly society by always sticking to its corporate mission of “Developing Clean Energy for a Better Life”. During the year, the Company closely followed the pace of the national energy transformation and development, and resolutely implemented the strategy of “dual-wheel drive and synergetic development”, contributing to the low-carbon and cleaner use of energy in the society.

Against the backdrop of the national “dual-carbon” strategy, Zhongyu Energy, focusing on its own operations, has actively expanded its green and low-carbon business while steadily developing its urban gas business, so as to provide customers with a wider range of energy supply options. During the year, the Group further expanded the scale of its smart energy business, including distributed photovoltaic, incremental power distribution, charging stations, boiler entrustment and energy-saving transformation, and successfully promoted the implementation of demonstration projects such as biomass energy supply, comprehensive utilisation of hydrogen energy and energy storage. Besides, the Group explored and reserved cutting-edge new energy-related technologies, and continued to further tap the potential in the three major business areas of smart energy management contract (EMC), regional energy supply and low-carbon transportation, thereby continuously enhancing its core competitiveness.



With more than 2 decades of experience in the energy sector, the Group has always placed priority on safety operation in its corporate management. During the year, the Group fully implemented the national decision and deployment on production safety, implemented a “full-chain” special rectification project work on gas safety, continued to promote safety review related tasks, expand its team of certified safety engineers and increase investment in production safety, further maintaining ‘zero’ occurrence of relatively large or above production safety accidents. Meanwhile, the Group has continued its safety-oriented management philosophy in the smart energy business area, and will improve the safety management mechanism, further strengthen inspection for potential safety hazards and enhance the quality standard of safety personnel effectively. In addition, we will develop professional digital and intelligent platforms for our various projects to enhance the strength in safety management of the Group while boosting the operational efficiency of the projects.

Concerning about the rights and interests of employees and the enhancement of their capabilities as always, the Group strives to ensure that every employee can share a mutual growth with the Company. During the year, the Group launched talent team building programs one after another to systematize cultivation scheme for talents at all levels and provide fair opportunities for the development of employees. Meanwhile, the Group actively organized various activities that are beneficial to the physical and mental health of its employees, and optimized the corporate office environment to promote their sense of belonging, well-being while safeguarding their basic rights and interests, thereby fostering a win-win situation for the Company and its employees in our best endeavors.

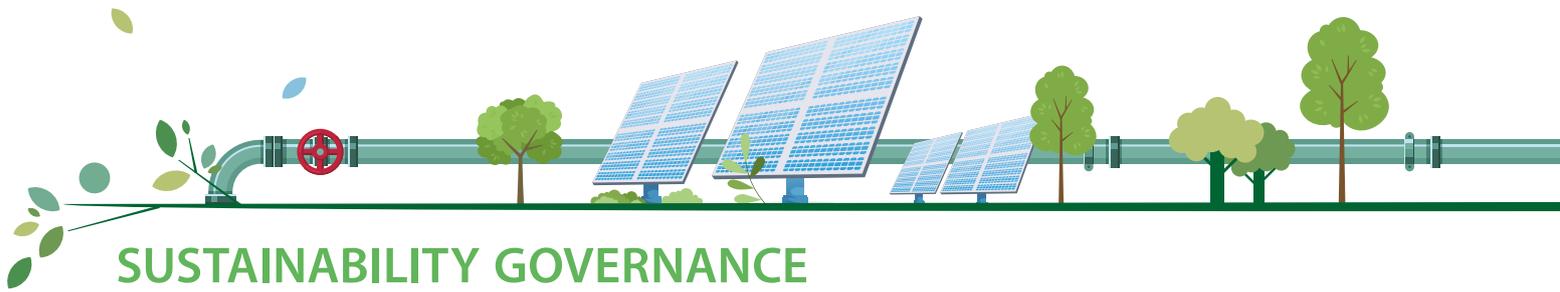
As a member of the public utilities industry, the Group has always focused on people’s livelihood and actively fulfilled its corporate social responsibilities. In 2023, the Group organized a number of publicity events related to gas safety in its operating regions and provided financial or material donations to schools, welfare organizations, and underprivileged groups in the communities it serves. At the same time, the Group is committed to effective environmental protection and has pledged and achieved annual emission reduction targets. In addition, it cooperated with various sectors of the community in energy conservation and emission reduction by ways of green finance, methane emission management and the provision of energy-saving services, contributing our small efforts to the accomplishment of the national “dual-carbon” goals.

We recognize that social responsibility is pivotal to sustainable development. Accordingly, we regard social responsibility as a key component of corporate progress. In the future, Zhongyu Energy will continue to create social value, enable the improvement of energy usage structure of the society, ensure the safety of energy consumption in its operating regions, concern the enhancement of employee benefits, actively carry out social welfare activities and achieve the goal of sustainable development, thus fulfilling the mutual growth of corporate value and social value.

Wang Wenliang

Chairman
Hong Kong

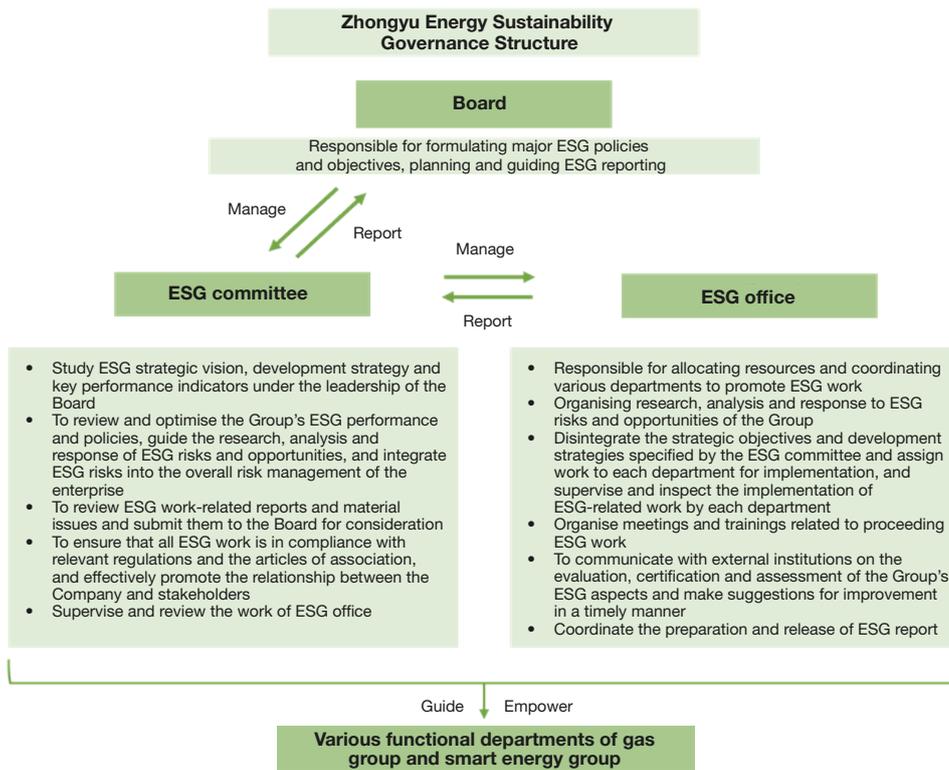
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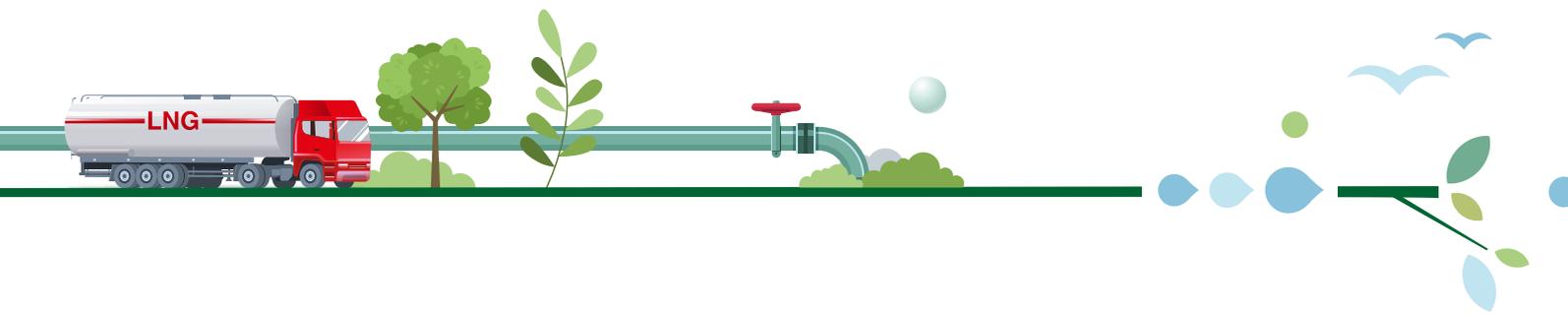


SUSTAINABILITY GOVERNANCE

SUSTAINABILITY GOVERNANCE

Good corporate governance measures can effectively help Zhongyu Energy establish and achieve its long-term strategies and objectives. To better realise the standardisation and governance transparency under the sustainable development tasks of the Group, we establish the sustainability governance structure which comprises the board of directors, ESG committee and ESG office to be responsible for the environmental, social and governance tasks of the Group.





Statement of the Board

The board of directors of the Company is committed to high standards of corporate governance, and lead the Group to grasp opportunities and respond to risks arising from sustainable development. The board of directors is the highest authority in the Group's governance structure, which is fully responsible for the Group's environmental, social and governance strategies and reporting, and is responsible for developing the long-term strategy of the Group and is vested the highest decision-making authority for the related tasks.

In order to actively respond to the national "dual carbon" goal and the requirements for green economic development, the Group established the environmental, social and governance committee (the "ESG Committee") based on the Board's promotion and deployment of the Group's strategic transformation and upgrade, which is led by the Group's executive directors, to improve the Group's ESG management level and enhance the company's competitiveness.

The ESG Committee has set up the environmental, social and governance office (the "ESG Office"), which acts as a standing body responsible for the specific work of the ESG Committee, and comprises the officers from various functional departments of the listed company, gas and smart energy group for assisting the committee in coordinating, implementing and supervising the sustainable development of the Group.

We also regularly communicate with stakeholders, hold internal and external activities, collect opinions from stakeholders, and conduct ESG materiality assessment. The results of the materiality assessment will be discussed at the ESG Committee meeting. The ESG Committee will consider the Company's development strategy and the external macro-environment assessment results, and take the management and improvement of key issues as a reference for the annual strategic work of sustainable development.

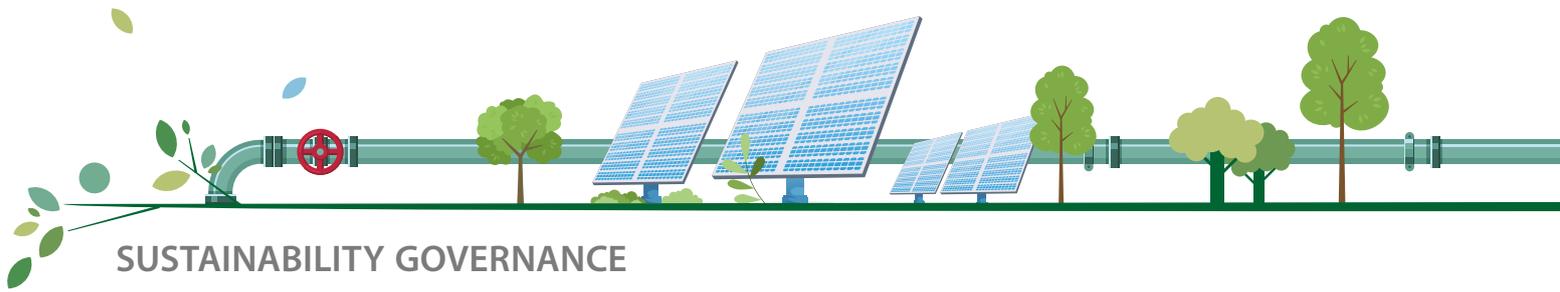
The Group has formulated Environmental, Social and Governance Policy. The purpose of formulating the policy is to optimize internal management system for environmental, social and corporate governance, strengthen internal communication and ensure all staff members understand as well as implement the policies and specific measures in a proper manner. Zhongyu has also developed ESG targets, covering greenhouse gas emission, safety management and staff training, and conducts regular review over the progress of achieving the targets.

CORPORATE RISK GOVERNANCE

As an essential component of corporate governance, the Group is of the view that, the risk management and internal control system has a key role and is significant to the fulfillment of business objectives.

In order to enhance risk management and control, the Group established the audit and supervision committee as well as management system. The board of directors is responsible for the establishment of the risk management and internal control system to ensure clear management structure with well-defined monitoring rights and responsibilities. The effectiveness thereof is reviewed regularly by the Audit Committee. The board of directors conducts regular review on audit report and progress of rectification work to ensure that each department is able to conduct in-depth analysis of the causes of problems, actively improve the system and modify the deficiencies, and take effective measures to avoid risks.

Based on the risk management and internal control system, and the assessment of the ESG Committee of the Group, the following four major risks have been identified and evaluated, and the risk management responsibilities are clearly defined to ensure that the corresponding measures are adequate and effective to avoid the Group from incurring significant losses.



SUSTAINABILITY GOVERNANCE

Major risks	Impact	Control measures
<p> Occupational safety</p>	<p>As an integrated energy service provider, the Group attaches great importance to the protection of employees' health and safety at work.</p> <p>In the course of operation, employees' trust in the Group will falter when health and safety problems occur to employees, thus affecting the operating performance of the Group.</p>	<p>The Group strives to reduce possible occurrences of safety accidents during operation by the following means.</p> <ul style="list-style-type: none"> • Safety inspection: We established a team of internal safety auditors to carry out safety audit on the basis of safety inspection, covering the acquisition of working permits for employees who engage in specific types of jobs, distribution of work protective devices and maintenance of safety facilities. • Safety education and training: For instance, operation training on safety for special operation personnel, training on fire safety knowledge, and emergency response drills. • Regular reporting: Hold monthly production safety work meeting regularly, and supervise the reporting of the person in charge of production safety work. Prepare mid- and long-term and annual plan for production safety.
<p> Product responsibility</p>	<p>The Group considers the management of health and safety risks of the products to be of great importance. In case of product quality issues, the Group will not only bear the corresponding legal risks, but also cause huge impacts on the safety of residents residing in areas around the operation sites.</p>	<ul style="list-style-type: none"> • By improving the internal supervision and examination and risk control policies, as well as strengthening the management of pipeline maintenance, gas leakage and emergency plans, the Group is committed to ensuring that product quality is in line with national laws and regulations and the interests of users. • We have also set up a hotline and service centre to encourage users to report any irregularities and gas accidents. • The Group has also formulated the "Administrative Measures for Spot Check on Materials" to conduct regular spot check annually, spot checks on quality incidents, spot checks on newly admitted products and spot checks on management demand.
<p> Policy risk</p>	<p>The proposal of China's "30·60" dual carbon goals has released a strong signal for the development of clean energy. The Group recognizes that natural gas has become a traditional energy source. As a natural gas service provider, it needs to always pay attention to the energy layout and continuously follow up the development of the renewable energy market.</p>	<ul style="list-style-type: none"> • The Group's strategic goal is to transform from an energy development operator to an integrated energy service provider, focusing on the comprehensive development of the clean energy sector. • The Company actively develop new sustainable development-related businesses such as natural gas distributed energy, distributed photovoltaic power, biomass energy supply, energy storage and hydrogen energy.
<p> Climate risk</p>	<p>Climate change is becoming increasingly serious, and the physical and transformational risks caused by extreme weather will have a huge impact on the Group's daily operations. For example, extreme weather events caused by climate change (such as hurricanes, rainstorms, floods, snowstorms, etc.) may cause direct physical damage to equipment, including collapse, air leakage, etc. In addition, extreme weather events may also cause supply chain disruptions, affecting the supply of natural gas.</p>	<ul style="list-style-type: none"> • The Group has established the ESG Committee and the ESG Office to be responsible for the designation, implementation, and supervision of sustainable development. • We have formulated the Group's emission reduction goals and guidelines for the next three years and developed a low-carbon strategy for the smart energy segment. • We actively invest in climate adaptation strategies, such as photovoltaic projects, and carry out a range of climate insurance tasks to address the loss arising from climate change. Meanwhile, subsidiaries are required to strengthen risk assessment and management, such as strengthening equipment maintenance and overhaul, flood prevention drills and risk early warning and monitoring.



COMMUNICATION WITH STAKEHOLDERS

The Group believes that establishing good interaction and long-term cooperative relationship with stakeholders can help realise our sustainable development vision. The Group is committed to communicating with key internal and external stakeholders through daily operations and various communication channels to understand their expectations and opinions on the Group's sustainable development performance, so as to formulate corresponding strategies, examine potential risks and opportunities, and build common values. During the Year, we continued to maintain regular sound and orderly communication with various stakeholders.

Stakeholders	Communication means
Employees	Meeting, regular communication, mail, trainings and activities, internal grievance redress mechanism
Shareholders and investors	General meetings, regular communication, announcements, circulars, financial reports
Customers	Service supervision calls, community service centres and counters, social media, lectures, satisfaction survey
Suppliers and partners	Tender meeting, strategic cooperation, technical exchange, on-site inspection
Government	Regular communication, cooperation project, inspection guidance, seminars
Community	Visits and exchanges, publicity and public education, community welfare services

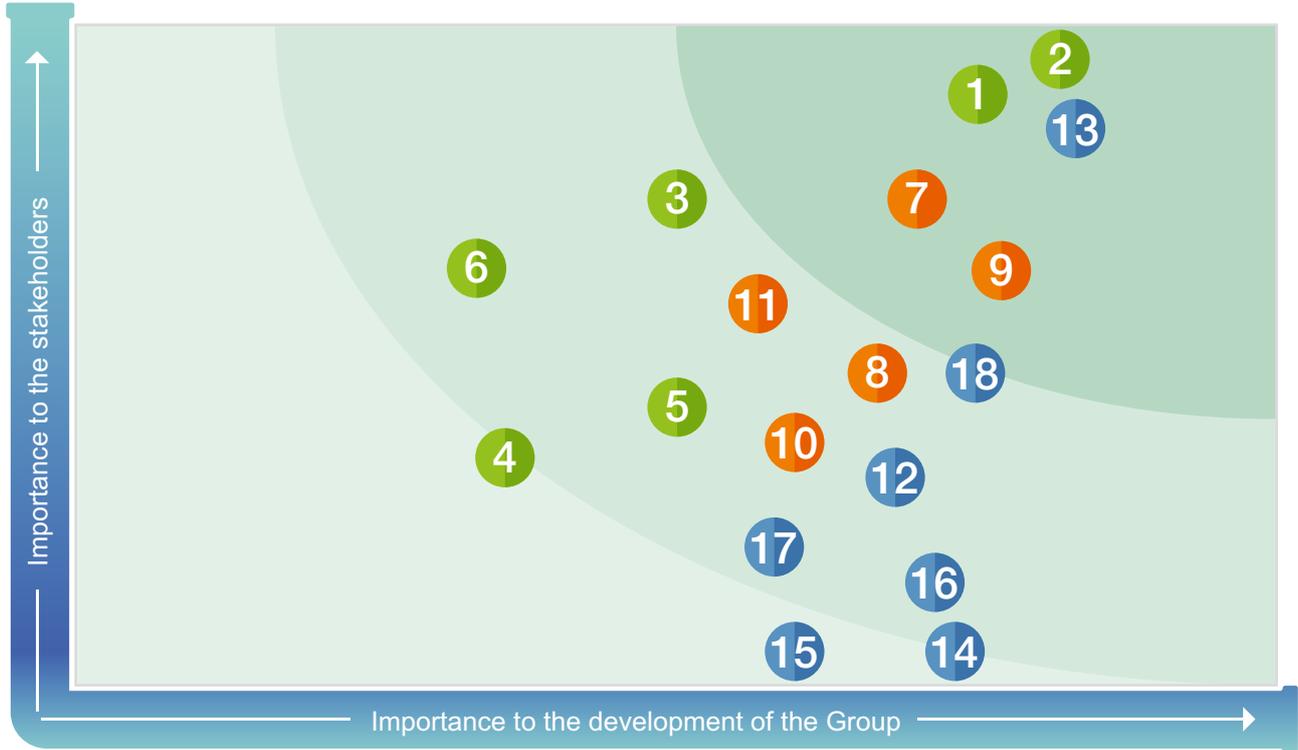
MATERIAL ISSUES

In order to identify the most critical sustainability issues for the business and stakeholders, the Group carried out an assessment of material issues in 2022. Given the comprehensiveness and timeliness of the assessment, we have decided to continue to use the assessment results of 2022 during the Year to maintain the continuity of our strategies, and made further progress on the material issues identified. The material issues assessment of the Group employs the major steps as follows:

01 Identify sustainability issues	Identify 19 issues which are the most closely related to the Group's business and its impact, covering the three major areas, namely environment, society and operation.
02 Distribute survey questionnaire and data collection	For potential issues left after elimination, questionnaire survey will be conducted, grading system will be used to allow stakeholders to assess the materiality of different potential material issues.
03 Adjust matrix and analyse issues	For the two dimensions of "Importance to the development of the Group" and "Importance to the stakeholders", material issues matrix is formulated. Meanwhile, we will compare against our peers and combine with industry development trend to perform adjustment over the material issues.
04 Review material issues	To submit the material issues matrix after adjustment to the ESG Committee for review and confirmation, in order to develop the final material issues matrix.

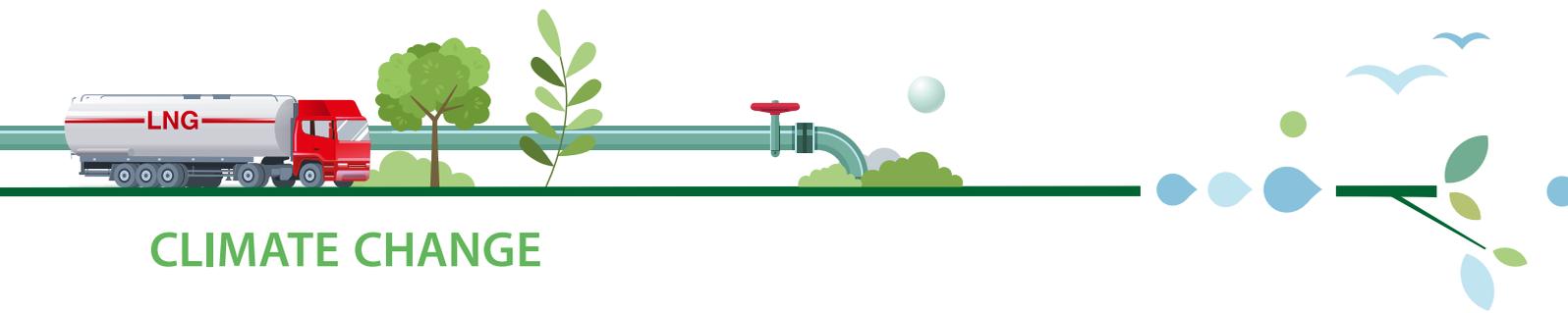


COMMUNICATION WITH STAKEHOLDERS



Environmental		Social		Governance and Operational	
1	Climate change	7	Employment rights and benefits	12	Anti-corruption
2	Greenhouse gas and air emission	8	Legal employment	13	Safe and steady gas supply
3	Environmental and ecological protection	9	Employee health and safety	14	Risk management
4	Waste management	10	Talent development	15	Supply chain management
5	Energy efficiency	11	Community involvement	16	Product responsibility
6	Water Consumption			17	Protection of customer privacy
				18	Customer health and safety

Zhongyu Energy will continue to understand responsibility issues concerned by stakeholders based on their types, and make targeted response to the concerns of stakeholders through carrying out key initiatives.



CLIMATE CHANGE

Climate change is one of the issues that the Group pays close attention to and helps China reach “carbon peak” by 2030 and “carbon neutrality” by 2060.

Climate change is a global challenge. In order to effectively identify and manage risks and opportunities, Zhongyu formulated the Climate Change Policy during the Year, proactively responding to the national dual-carbon goals and incorporate sustainable and low-carbon development into its strategic planning. Our employees should also follow this policy to help achieve our goals, provide users with a low-carbon, intelligent and systematic integrated energy services, and endeavor to reduce greenhouse gas emissions and other air pollutants generated from operations through energy conservation and consumption reduction measures.

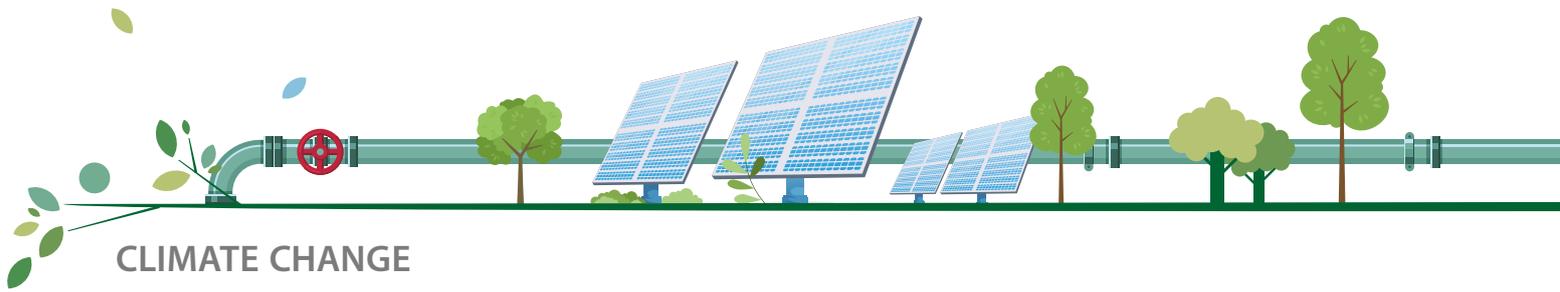
The Group has the following three approaches in response to climate change governance:



SEIZE THE OPPORTUNITIES

Climate change and people’s pursuit of high-quality life will further promote energy transformation and upgrading, and continuous technological innovation will accelerate the development of clean and low-carbon global energy. Zhongyu Energy has always kept abreast of and continuously follow the trend of energy transformation.

As a clean, safe and efficient energy source, natural gas is playing a significant role in the global low-carbon energy transformation and has entered a golden period of development. The efficient and comprehensive utilisation of natural gas is crucial and practical for industrial and commercial emission reduction and cost reduction. Currently, Zhongyu Energy has formed an integrated service system for gas supply, which can assist in realising energy transformation in more cities and regions in the future.



CLIMATE CHANGE

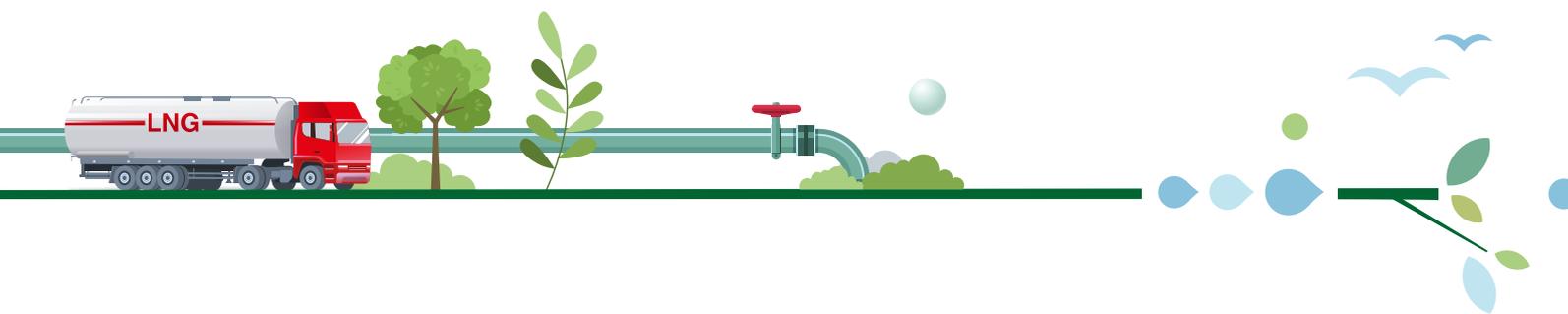
Zhongyu Energy actively cooperated with the government to promote the “energy transformation” initiative. It utilised smart information technology, focused on the development of distributed energy, regional energy supply, renewable energy charging stations, and established a low-carbon smart energy system to help carbon neutral strategy. Based on intelligent technologies, the Group focused on developing intelligent clean energy industry chain, zero-carbon industrial parks, clean and smart micro-grids, energy storage and energy-saving services, and further realises the strategic pattern of gas and smart energy dual driving. Zhongyu Energy provided smart and low-carbon energy solutions to industrial and commerce enterprises with large energy consumption, which focused on improving the comprehensive utilisation rate of energy and reducing corporate carbon emissions. The Group has successively signed strategic cooperation agreements with large central enterprises or local state-owned enterprises such as Shandong Shuifa Paisi Gas Co., Ltd., in which cooperation in smart energy project development, equipment promotion and technology development will be commenced.

Recently, the Group has been broadly exploring the comprehensive development and utilisation of hydrogen energy, investing in the construction of hydrogen refuelling stations, making research on the use of hydrogen-mixed natural gas, hydrogen transport in pipeline and purification and utilisation of gray hydrogen, and the production of hydrogen by water electrolysis, as well as exploring the economic benefits of the “Wind, Photovoltaic, Hydrogen, Energy Storage, Ammonia and Ethanol” integrated project. As a zero-carbon energy source, hydrogen has extremely high strategic value for China to improve the security of its energy system and achieve the goal of “carbon neutrality”.

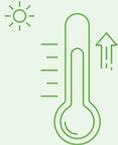
At the same time, Zhongyu Energy continued to focus on low-carbon renewable energy, and utilised other clean energy such as solar energy, geothermal energy and biomass. Through multi-energy complementary technologies such as distributed energy, photovoltaic, heat pump, incremental distribution network and smart energy management and control platform, it focuses on providing professional integrated smart energy services for users such as industrial parks, large-scale public buildings (data centres, airport stations, hospital schools, commercial complexes, etc.), and rural residents.

RESPONSE TO RISKS

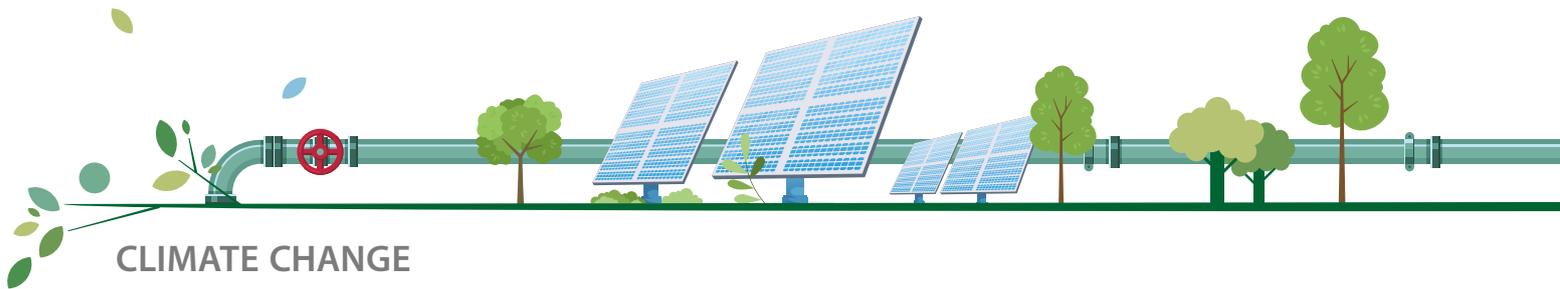
Zhongyu is aware of the physical and transitory risks arising from climate change which will have significant impact on our daily operation, such as service disruptions, facilities depletion, as well as a range of asset impairment and economic loss resulting from the increase of operating costs. The Group is actively carrying out climate change risk analysis to formulate a risk list and assess the significance of such risks over the operation, and response strategy will be developed accordingly.



Physical Risk Identification on and Response to Climate Change

Physical risks	Potential impacts	Response measures
 <p>Average and daily maximum temperature increase</p>	<p>Elevated workplace temperature may cause odour impacts and pose health risks to employees.</p> <p>Elevated temperature may cause wear and tear and risk of deflagration at gas storage and transportation facilities, photovoltaic power and energy supply facilities, and property management facilities.</p> <p>Increased temperature may also affect seasonal variations in gas demand, particularly during seasons when gas heating or gas air-conditioning is required, and uncertainty in demand may have an impact on the Company's gas sales, market share, and quality control of its own gas appliances.</p>	<p>Improve workplace air-conditioning systems, fans and ventilation facilities to ensure employee comfort and health, and enhance facility safety measures to address the risk of wear and tear and deflagration. At the same time, it should also adjust its gas supply strategy to adapt to seasonal changes in demand and increase its investment in technological research and development to adjust and meet the quality control requirements of its own brands.</p>
 <p>Increased frequency and magnitude of extreme weather events</p>	<p>Strong convective weather and natural disasters may cause disruption or damage to outdoor gas or office facilities.</p> <p>Extreme weather can also pose a risk to employees commuting to and from work.</p>	<p>Enhance the emergency preparedness and prevention and personnel rescue capabilities of buildings and facilities, regularly inspect and maintain the safety of facilities, provide safe transportation recommendations and measures, provide appropriate protective equipment and training, so as to ensure the safety and health of employees.</p>
 <p>Coastal flood risk</p>	<p>Individual projects are located in coastal areas such as Zhoushan and Lianyungang, where flooding risks in coastal areas are increased attributable to rising global temperatures which might lead to melting glaciers and expanding oceans, threatening the gas facilities and supply networks in low-lying areas.</p>	<p>Upgrade flood prevention facilities and protection measures at high-risk projects, regularly inspect and maintain the waterproof performance of gas facilities, and enhance monitoring and early warning systems to ensure that emergency measures are taken in a timely manner to safeguard the safe operation of gas facilities and supply networks.</p>

In order to further improve the closed-loop risk management and control, the Group has specified the three principles of unified insurance, comprehensive insurance and systematic insurance. Meanwhile, the Group has formulated and issued the Notice on the Establishment of the Group's Insurance Work Leading Group to specify the organisational structure of the Group's insurance work and the division of responsibilities of relevant units.



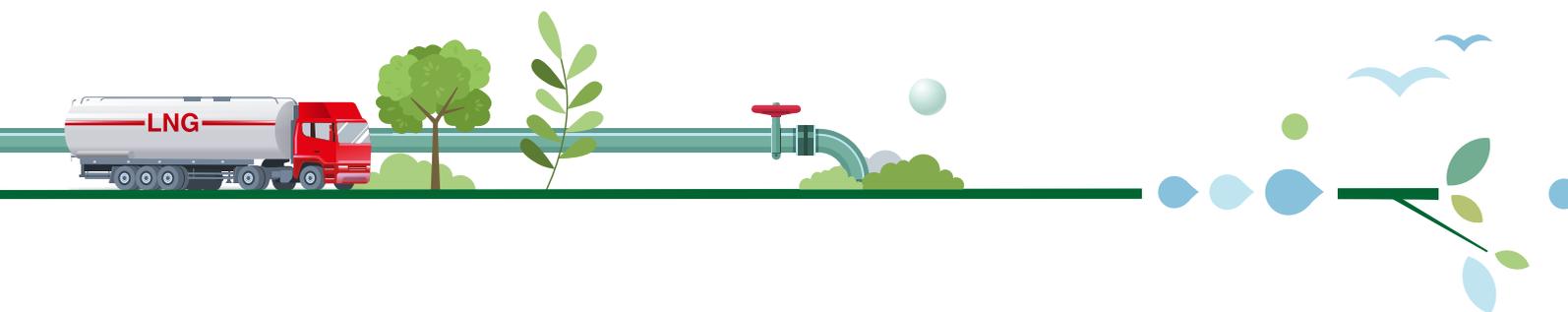
CLIMATE CHANGE

In 2023, Zhongyu Energy continued the insurance work in a steady and orderly manner. In January 2022, the Group issued the Administrative Measures for Insurance Work of Zhongyu Energy Group, which specified the target and requirements for the Group to carry out unified insurance work, and provided guidance for subsidiaries to effectively implement the unified insurance work and tasks deployed by the Group. As of 31st December, 2023, the Group's total insured assets of the company increased by 9.02% compared to 2022. On the basis of the continuation of the unified insurance plan for the year 2022, the contents of some types of insurance policies such as Employer's Liability Insurance and Machinery Breakdown Insurance have been optimized and upgraded to promote a more comprehensive protection coverage for the Group. The total insurance compensation claimed by the Group for property damage caused by weather/extreme weather events amounted to approximately \$55,000 for the year.

To enable the Group to better cope with the disasters caused by climate change, Zhongyu Energy has continuously improved the emergency response plans for natural disasters, implemented the responsibilities and measures in each link, and strengthened emergency drills and investigations to improve employees' self-protection and response capability in dangerous situations.

Identify and response to transformational risks for climate change

Transitional Risks	Potential Impacts	Response measures
 <p>Energy transformational risk</p>	As the country deepens its "dual-carbon" layout, demand for traditional coal and fossil fuels is likely to decline, while demand for renewable and low-carbon energy is likely to increase.	To provide products and services that meet consumer preferences in response to changes in market demand.
 <p>Regulatory and Policy Changes</p>	With the progress towards the "dual-carbon" goal, national laws and regulations have imposed increasingly stringent environmental requirements on energy companies, and regulatory requirements related to pollutant control have been increasing. These include, among others, limits on greenhouse gas (GHG) emissions, energy efficiency requirements, GHG emission accounting requirements, renewable energy quotas and carbon pricing.	Closely monitor the changes in regulations and policies, consider increasing inputs to measurement and accounting for relevant data and ensure compliance with relevant regulatory and policy requirements to avoid fines and legal risks.
 <p>Technological Innovation</p>	The emergence of new technologies may change the way energy is produced, transmitted and stored.	Consider investing and transforming where necessary in response to technological developments in order to adapt to changes brought about by new technologies.
 <p>Investor Pressure</p>	Increasingly more investors are focusing on sustainability and ESG factors, and such investors may take a wait-and-see approach to investing in energy companies with higher carbon emissions, or even curb their investments, in favor of investing in companies that meet sustainability criteria. This may pose a risk of capital loss and higher financing costs for the Group.	It should proactively meet investors' sustainability requirements and take advantage of the opportunities of transformation to undergo green financing.



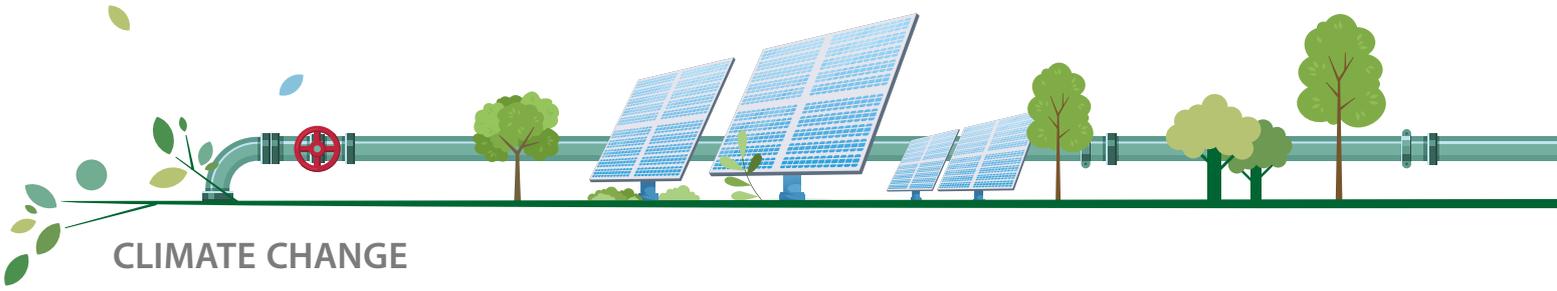
Demonstration of Smart Energy Projects

Name of the Projects | Project Scale and Environmental Performance during the Reporting Period

<p>Jiangsu Rooftop Photovoltaic Project</p> 	<p>With a capacity of 5,898,700 kWh</p> 	<p>Saving standard coal of 1,790 tonnes</p> 	<p>Reducing CO₂ emissions by 4,461 tonnes</p> 
<p>Henan Charging Station Project</p> 	<p>With a capacity of 1,151,679 kWh</p> 	<p>Saving fuel of 504 cubic meters</p> 	<p>Reducing CO₂ emissions by 293 tonnes</p> 
<p>Hospital Distributed Energy Project</p> 	<p>With a capacity of 4,308,307 kWh</p> 	<p>Saving standard coal of 250 tonnes</p> 	<p>Reducing CO₂ emissions by 623 tonnes</p> 

Under the current new situation of energy transformation and carbon neutrality, the Group has also formulated a three-year low-carbon strategy for sustainable development of the smart energy sector.

- Objective 1: By 2024, to launch a number of projects that adopt advanced renewable energy technologies in form of smart cities, photovoltaics, zero-carbon industrial parks, distributed energy, regional energy supply, etc.
- Objective 2: By 2025, to achieve 600MW renewable energy installed capacity and will be increased to above 2,000MW installed capacity of renewable energy by 2030.
- Objective 3: In-depth research and development in energy storage, hydrogen energy, energy digitalization, carbon finance and other cleantech fields to form a new pattern of low-carbon economic momentum in medium- and long-term by integrating with the existing renewable energy projects.
- Objective 4: Make strategic investment and deployment in fields with great potential such as energy storage and hydrogen energy sector in order to achieve breakthroughs from the current business models of the Group and to promote the low-carbon transformation and carbon sequestration and other national strategies through the development of carbon finance, project M&As and energy management services.



CLIMATE CHANGE

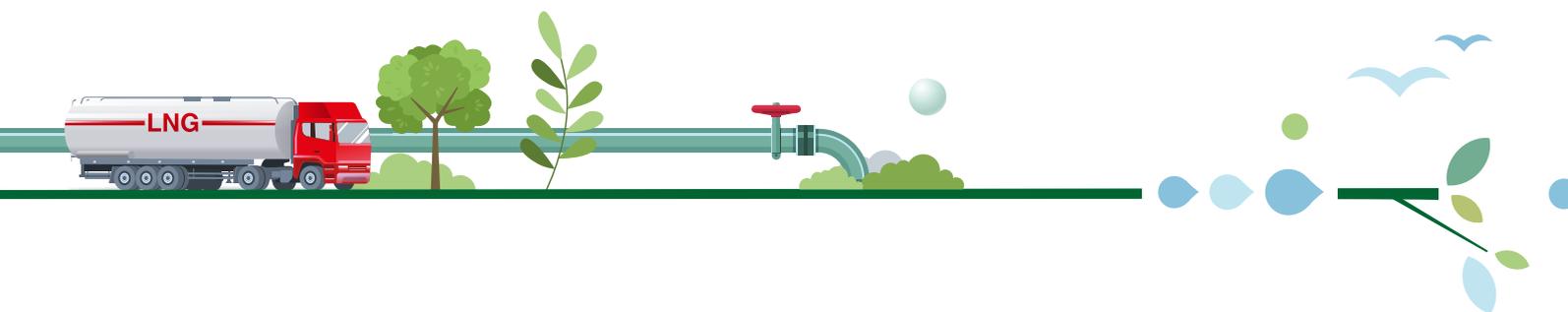
GREENHOUSE GAS EMISSION MANAGEMENT

Zhongyu Energy is continuously committed to reducing its own carbon footprint, in order to achieve the objectives of sustainable development and green development. In response to the objectives of the Paris Agreement, the Group has formulated short-term emission reduction targets and a series of emission reduction plans, aiming at reducing the greenhouse gas emissions and mitigating the impact on the environment, and making contribution towards the society and the environment.

 **Short-term Greenhouse Gas Emission Reduction Target:** 1.5% annual Scope 1 and Scope 2 greenhouse gas emission reduction until 2023, taking 2020 as baseline.

In 2023, the Group's total greenhouse gas emissions were approximately 30,085.7 tonnes of CO₂ equivalent with greenhouse gas intensity of 5.9 tonnes of CO₂ equivalent per capita. Among them, the total emission of Scope 1 and Scope 2 was 29,476.7 tonnes of CO₂ equivalent, representing a decrease of 1.8% compared with last year, and achieved the emission reduction target for the Year.

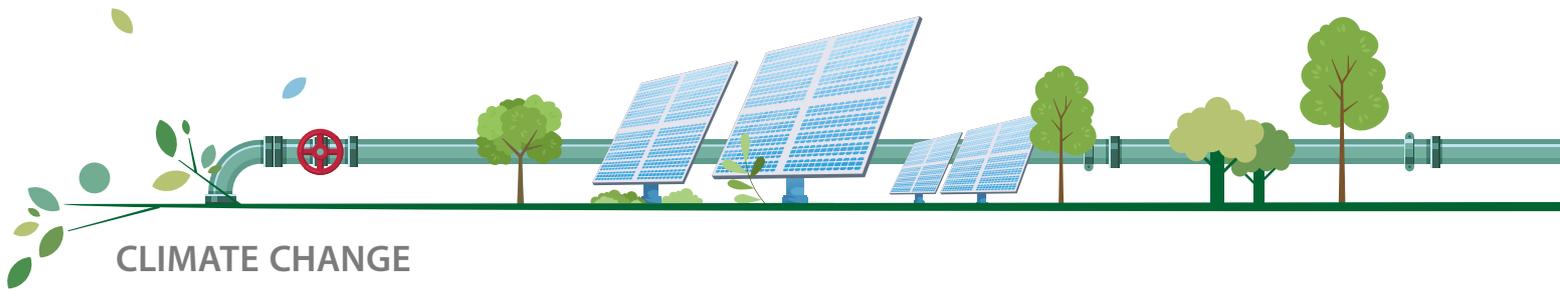




Greenhouse gases	Unit	2023	2022	2021	2020
Scope 1 Direct greenhouse gas emission (includes greenhouse gas emissions from stationary and mobile fossil fuel combustion, and fugitive emissions from refrigerants and fire extinguishing agents)	Tonnes of CO ₂ equivalent	18,218.1	18,681.3	19,810.3	18,964.2
Scope 2 Energy indirect greenhouse gas emission (includes indirect emissions from purchased electricity consumption)	Tonnes of CO ₂ equivalent	11,258.6	11,341.5	10,976.1	12,299.3
Scope 3 Other indirect greenhouse gas emission (includes waste paper disposal, water sourcing, sewage discharge and business travel by planes)	Tonnes of CO ₂ equivalent	609.0	362.0	354.2	534.0
Total greenhouse gas emission	Tonnes of CO ₂ equivalent	30,085.7	30,384.8	31,140.6	31,797.5
Greenhouse gas emission intensity	Tonnes of CO ₂ equivalent/employee	5.9	6.0	6.4	6.8
	Tonnes of CO ₂ equivalent/HK\$'000 (Turnover)	0.0022	0.0023	0.0027	0.0037
Emission reduction target (1.5% annual reduction in Scope 1 and Scope 2 greenhouse gas emission)		✓	✓	✓	Baseline
Methane emission (gas leakage emission)⁽¹⁾	Tonne	4,696.6	4,007.1	–	–

Notes:

- (1) The methane emissions due to gas leakage were estimated based on the default emission factors from the *Guidelines for Accounting and Reporting Greenhouse Gas Emissions of China's Petroleum and Natural Gas Production Enterprises* and the *2006 IPCC Guidelines for National Greenhouse Gas Inventories (2019 Revision)*. Due to a unified measurement standard for methane emissions due to gas leakage is yet to be established, the methane leakage emission of the Year is excluded from the total greenhouse gas emissions and the Group's greenhouse gas emission reduction targets. As the length of the Group's transportation pipelines is increasing every year, the methane fugitive emissions are also increasing. Thus, the estimated value is not the actually measured value at the project level, and the figure is for reference only.



CLIMATE CHANGE

METHANE EMISSION MANAGEMENT

Reduction of methane emissions is an important part of global greenhouse gas emission reduction, and is the most direct and effective way to slow down the pace of climate warming in the short term. However, the methane emission sources in the natural gas industry are complex and diverse, and there are highly uncertain emission sources. There are many challenges, including the lack of accurate identification of key emission sources, emission monitoring and auditing.

During the year, the Group continued to carry out the upgrade of methane emission monitoring technologies. The goal is to establish reliable methane fugitive emissions data for at least two years and incorporate it into the emissions reduction target, while implementing methane reduction measures.

Cloud-Based Laser Natural Gas Leakage Monitoring System

At present, all of the Group's gas stations adopt a cloud-based laser natural gas monitoring system combining laser absorption spectrometry (TDLAS) technology and IoT technology to provide real-time full-coverage leakage monitoring for equipment and pipelines in gas stations. The system is to achieve a high-performance and high-reliability leakage monitoring system for gas stations, which can be operated independently and can be integrated with the station control system, forming a complete station safety operation system plan. The methane monitoring equipment of the system can accurately monitor the natural gas leakage information in the air at the large-scale monitoring station around the clock, quickly identify and lock the location of the leakage point and immediately trigger the alarm procedures, guide the operators to quickly deal with the natural gas leakage problem, and start the alarm video recording throughout the whole process until the leakage point is handled by the experimental personnel, so as to effectively prevent the safety risks caused by natural gas leakage.



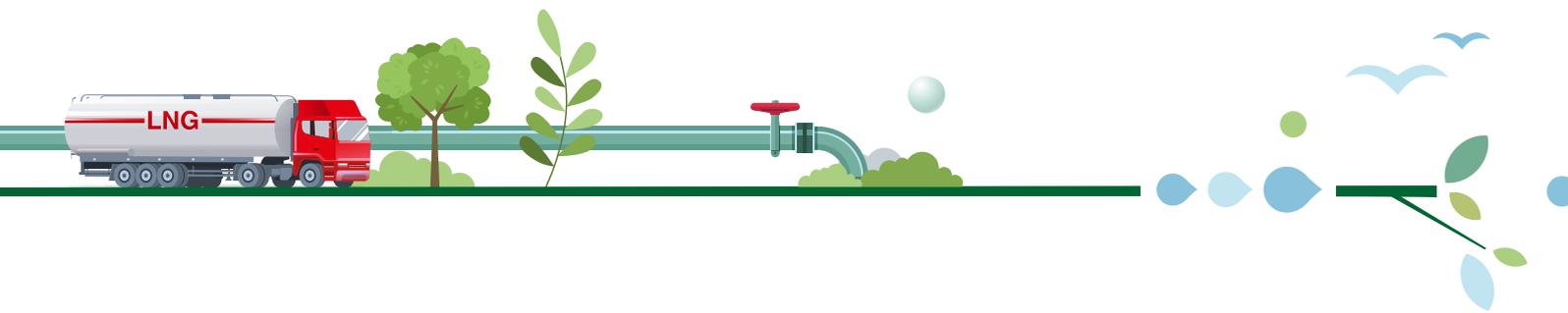
Cloud-Based Laser Natural Gas Leakage Monitoring System

Vehicle-Mounted Laser Natural Gas Leakage Detection System

A ppb-level (parts per billion) vehicle-mounted laser natural gas leakage detection system has been adopted by the Group to achieve no-dead-angle and full-coverage leakage detection of natural gas pipes. The system uses the vehicle as the carrier, integrates with the high-precision methane/ethane mid-infrared laser spectrum detector, Beidou precise positioning module and ultrasonic anemometer, and adopts the atmospheric dispersion transport model to deduce the scope of the leakage source location, in order to quickly and precisely identify the leakage location and thus mitigate the risk of leakage of the natural gas pipeline network.



Vehicle-Mounted Laser Natural Gas Leakage Detection System



Unmanned Natural Gas Leakage Patrolling Detection System

The system uses a drone as the carrier, and at the same time mounts a high-definition camera and laser methane remote sensor instrument (TDLAS), which can promptly and accurately detect whether the natural gas is leaking, and capture high-definition photographs of abnormal alarm points, swiftly identify and lock the location of the leakage point, and immediately trigger the alarm procedures. Through 4G network transmission, the system realises the real-time remote video monitoring during the inspection process to mitigate the risk of natural gas leakage.



Unmanned Natural Gas Leakage Patrolling Detection System

“Pipeline-network Sentinel” Monitoring System

The “Pipeline-network Sentinel” monitoring system is adopted to realise 24-hour real-time leakage monitoring of pipeline networks. The system combines the characteristics of the gas pipeline network to select key areas for monitoring and early warning, and selects different types of detection equipment for installation and use, taking into account the actual conditions of the on-site terrain and pipeline network facilities. As such, the system can monitor the risks of, among others, natural gas pipeline leakage and third-party construction damage in real time, and further enhance the grade level of pipeline safety and protection.

Looking forward, the Group will continue to strengthen technological innovation and management innovation to promote the identification and control of methane emissions. The Group will also actively adopt innovative methane emission reduction technologies and best practices, and promote the implementation of methane emission reduction by ways of, among others, institutional governance and market mechanisms.

FUTURE PROSPECTS

The Group will endeavor to improve the internal data collection system and ESG reporting scope to provide shareholders with more comprehensive and accurate information. Meanwhile, the Group will also further specify and enhance the supervisory responsibilities of the management, discuss climate change-related issues regularly, and incorporate climate change issues into its investment planning and risk management policies.

The Group will also take reference of the Task Force on Climate-related Financial Disclosure (TCFD) framework to actively disclose climate-related information, thereby ensuring that the operating companies of the Group are well prepared for the negative impacts of climate change and will be capable of withstanding such impacts. At the same time, the Group will regularly review the greenhouse gas emissions brought by business operations and the effectiveness of existing emission reduction measures, establish a low-carbon office system, review emission reduction targets and propose plans to improve such targets as necessary.



ENVIRONMENTAL PROTECTION

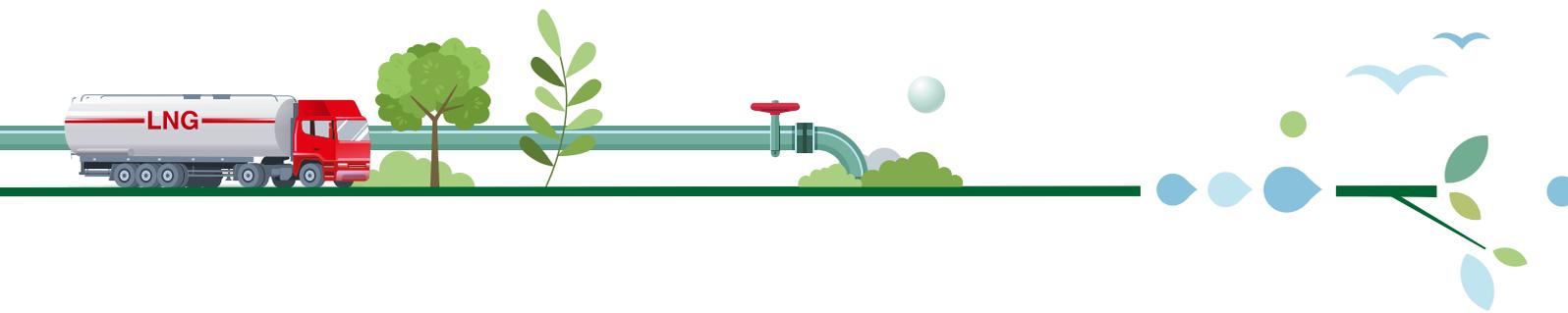
Zhongyu Energy always adheres to the philosophy of low-carbon and green development, actively undertakes environmental responsibilities, conforms to the trend of energy transformation, and contributes to realising the national “carbon neutrality” goal.

ENVIRONMENTAL MANAGEMENT POLICY

In order to reduce the impact of its daily operations on the environment, Zhongyu strictly abides by the environmental laws and regulations of each operating region, such as the *Environmental Protection Law of the People’s Republic of China*, the *Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste*, the *Waste Disposal Ordinance*, the *Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution*, the *Law of the People’s Republic of China on the Prevention and Control of Soil Pollution* and the *Law of the People’s Republic of China on the Prevention and Control of Water Pollution*. This year, we have formulated the “Zhongyu Energy Environmental Policy” and are committed to continuously improving the environmental and resource management system. During the Year, there were no reported cases of non-compliance in respect of emission or the environment.

Zhongyu Energy understands that its operations may make certain potential impacts on the surrounding environment and natural resources. As one of the leading national energy service companies, the Group vigorously promotes energy transformation and enhances its ability to supply clean energy, thereby helping to reduce air pollution caused by the use of fuels with high greenhouse gas emission by its end users through its own business. The Group is committed to strengthening its work related to natural gas management based on internal environmental policies, so as to ensure that operations are in compliance with the principles of sustainability in various aspects, and is dedicated to set ecology protection and clean energy development as its main work direction. The Group actively carries out cooperation in energy conservation and emission reduction programs with relevant government departments, and minimise air pollution from operations under national carbon neutrality strategy. In the future, the Group will continue to develop clean and efficient smart energy and distributed energy projects to improve comprehensive energy utilisation.

At the same time, the Group promises to adhere to the principle of scientific site selection and avoid pipeline construction in ecologically sensitive areas as much as possible. Before starting any project, the Group strictly follows the legal process of environmental impact assessment to analyze, predict, and evaluate the potential environmental impact of the project, and formulate measures to prevent or mitigate adverse environmental impacts. During project design, construction, and operation, pollution prevention and control measures and supervision inspections should be strictly implemented in accordance with internationally recognized standards to reduce the impact on natural ecology and habitats, and protect biodiversity and natural resources.



AIR EMISSION

The main sources of exhaust emissions include nitrogen oxides, sulphur oxides and particulate matter generated from the combustion of fossil fuel in natural gas transport vehicles, business vehicles, backup generators and boilers. Zhongyu Energy is committed to reducing its carbon footprint and minimizing the amount of air pollutants generated during its operations.

Considering that the Group's business is concentrated in mainland China, in order to reflect the national situation and improve the accuracy of data, the emission factors used in the calculation of air emissions for the Year have been updated. Emission factors from the Guidelines for the Compilation of Technologies for Emission of Air Pollutants for Motor Vehicles of the People's Republic of China were adopted. Therefore, the data will be significantly different from previous years.

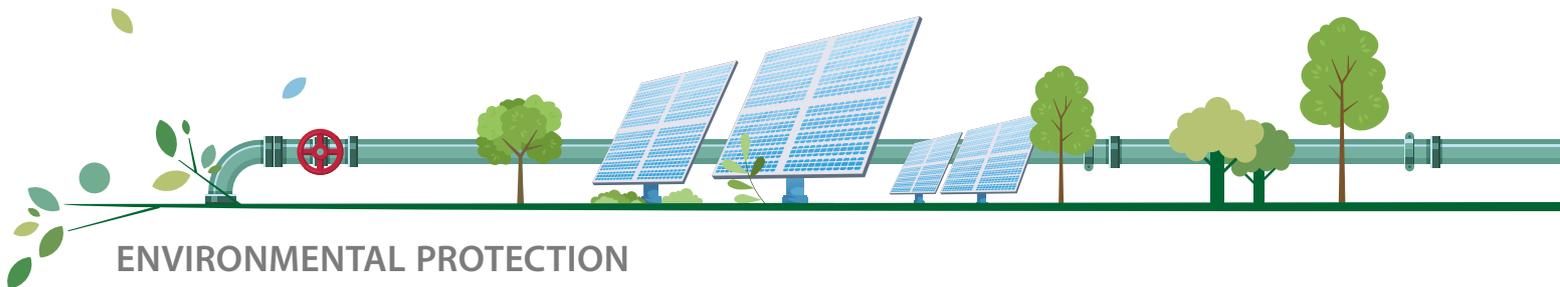
Type	Unit	2023
Nitrogen oxides NOx	kg	17,946
Sulphur oxides SOx	kg	791
Particulate matter PM	kg	196

Currently, all kitchen equipment, generators and boilers in the Group use natural gas to improve energy efficiency and reduce air pollution. With the growth of natural gas business, in order to reduce carbon emissions and air pollution caused by natural gas transportation vehicles, the Group plans to gradually replace fuel vehicles with LNG tank vehicles for LNG transportation vehicles of energy trading companies. In addition, the Group also mandates that all newly purchased commercial and repair vehicles should be electric vehicles to achieve clean fuel transformation for its own vehicles.



LNG tank vehicles of Zhongyu energy trading companies

The Group also actively promotes green transportation and encourages employees to use low-carbon travel methods such as shared bicycles, electric vehicles and public transportation. Through these measures, not only can carbon emissions and air pollution be reduced, but also traffic congestion and energy consumption.



ENVIRONMENTAL PROTECTION

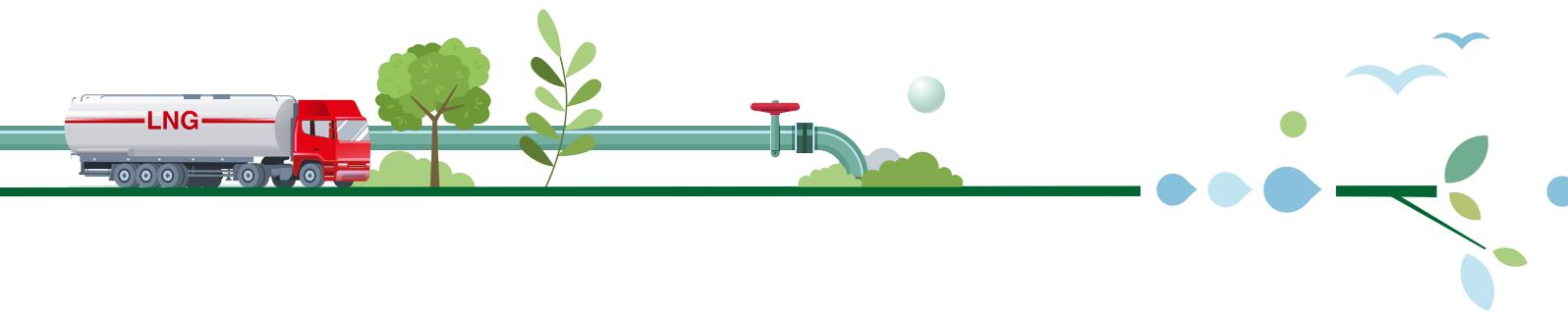
WASTE MANAGEMENT

During the Year, the Group generated a total of 133.8 tonnes of waste, including 6.2 tonnes of hazardous waste (such as waste batteries and waste oil) and 127.6 tonnes of non-hazardous waste (including office waste and general waste).

Types of wastes	Disposal methods	Unit	2023
Non-hazardous waste	Classified for recycling and processed by municipalities	Tonne	127.6
Hazardous waste	Periodically collected and processed by qualified contractors	Tonne	6.2

Zhongyu Energy has implemented several waste control and resource utilization measures, carried out waste classification management and recycled all resources as much as possible, thereby reducing environmental pollution. Specific measures include:

- adopt the “4R” principle to manage wastes by “reducing”, “reusing”, “recovering” and “recycling”
- put the waste management system into practice based on the principle of reducing waste at source, and ensure that relevant staff understands the disposal requirements of hazardous and non-hazardous waste
- Green procurement – understand the amount of materials consumed, avoid over-purchasing, and select materials/products with recycled content
- Set up waste separation and recycling facilities to handle all recyclable materials separately, such as metals, plastics, toner cartridges, batteries, etc.
- Set up recycling corners to promote and publicise various environmental protection activities
- Appoint specialists to regularly examine the situation of waste disposal and recycling, and review waste reduction targets and measures



In order to protect natural resources and reduce pollution, the Group has also established a number of measures to help the office reduce the generation of waste paper. For example, single-sided paper and brand-new paper are placed on different paper trays of photocopiers to encourage employees to print or photocopy on both sides of the paper in black and white, and to purchase paper with recycled content for the printing of newsletters, brochures, leaflets, business cards, envelopes, letters, etc. The Group also encourages employees to transmit documents electronically to reduce unnecessary printing. Single-sided paper collection boxes and paper recycling bins are also placed next to printers to promote paper reuse and recycling.

Case Study

Zhongyu's Bring Your Own Cup Campaign

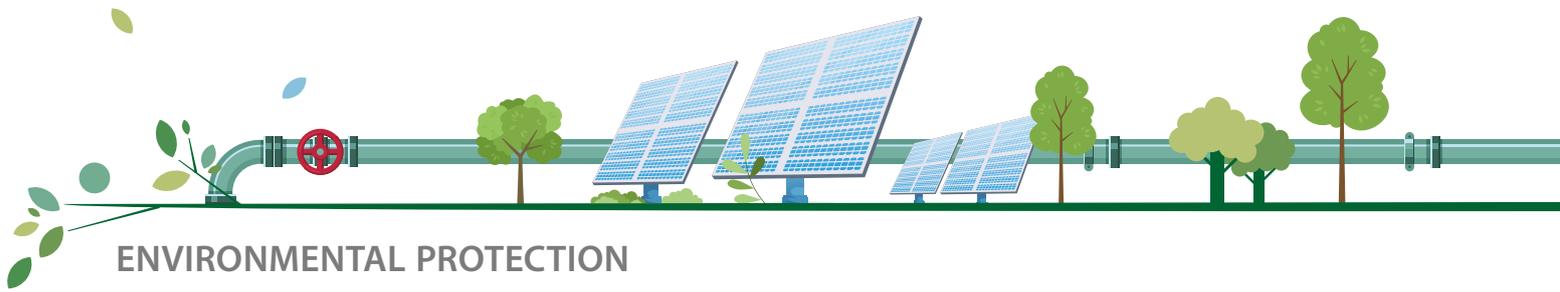
During the Year, the Group initiated the “Bring Your Own Cup” campaign to encourage employees to use their own cup in the office, and seized the opportunity of this campaign to limit the use of disposable cups, disposable takeaway boxes, disposable sign pens, disposable toner cartridges and other plastic products, in a bid to reduce plastic waste that are difficult to degrade.



Yanshi Zhongyu Gas carried out the “Bring Your Own Cup” campaign



The Group released the publicity poster under the theme of “Count on me for Green, Low-carbon and Energy Saving” (綠色低碳、節能有我)



ENVIRONMENTAL PROTECTION

ENERGY USE MANAGEMENT

The Group continues to optimise its energy usage structure and energy efficiency, and strictly abide to the *Zhongyu Energy Environmental Policy*.

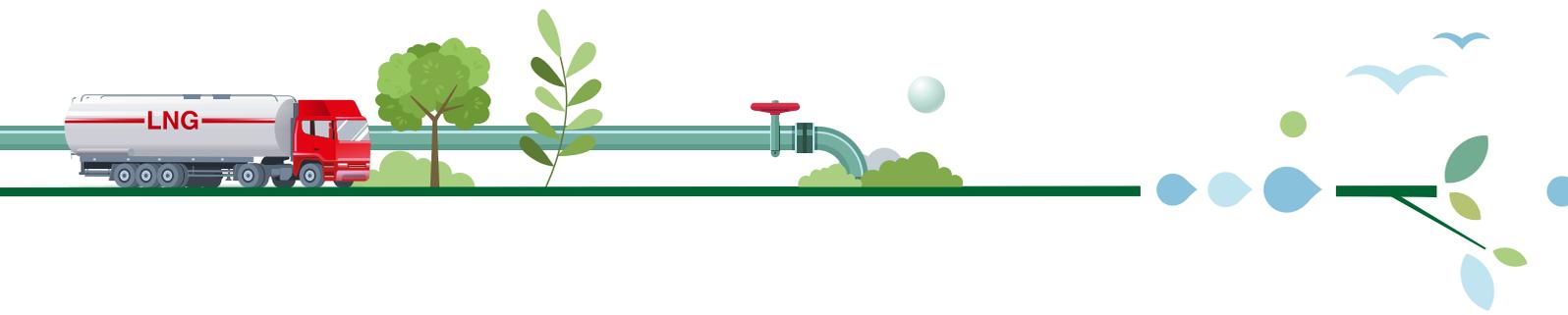
In the Year, the total consumption of Zhongyu Energy is 394,230.9GJ, mainly arising from the diesel, gasoline, LNG, LPG and purchased electricity used during the operation of offices, gas stations, business vehicles, equipment of gas-filling vehicles and the construction of pipelines.

Indicator	Unit	2023
Purchased electricity	MWh	19,748.9
Gasoline	Tonne	2,276.0
Diesel	Tonne	52.5
LNG	Cubic meter	5,724,679.1
LPG	Tonne	0
Total energy consumption ⁽¹⁾	GJ	394,230.9
Energy consumption intensity (in terms of the number of employees)	GJ/employee	77.5
Energy consumption intensity (in terms of turnover)	GJ/HK\$'000	0.03

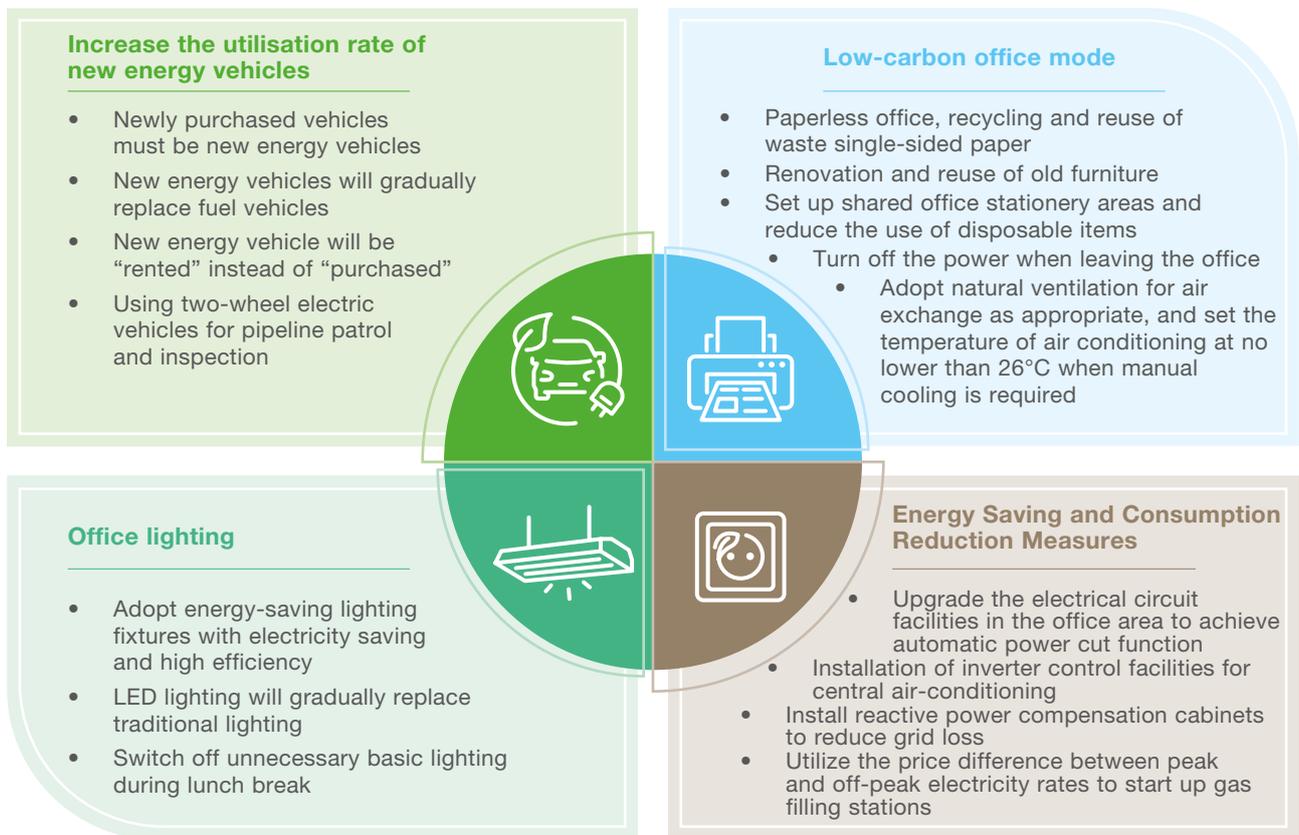
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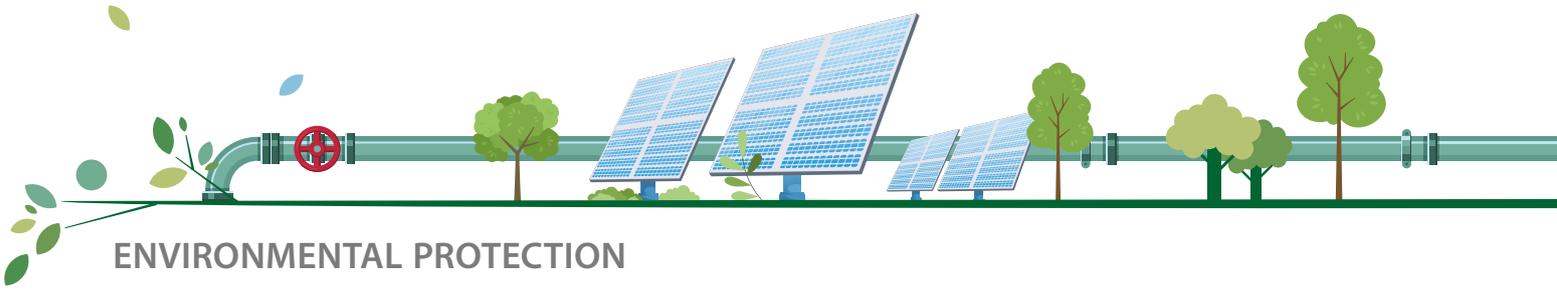
- (1) Total energy consumption includes purchased electricity, gasoline, diesel, LNG and LPG consumption. The unit conversion factors from China Energy Statistical Yearbook 2022 were adopted and the unit of energy was uniformly changed to GJ.





Zhongyu actively promotes green and energy-saving office and operation models to meet the needs of sustainable development of enterprises for energy conservation, carbon reduction and efficient operation and maintenance. In order to reduce energy waste, the Group has clarified the responsibilities of middle management personnel of each department in terms of electricity consumption. In addition, the Group has also adopted various effective energy conservation measures to minimize energy consumption during office operation. These measures include but are not limited to:





ENVIRONMENTAL PROTECTION

Case Study

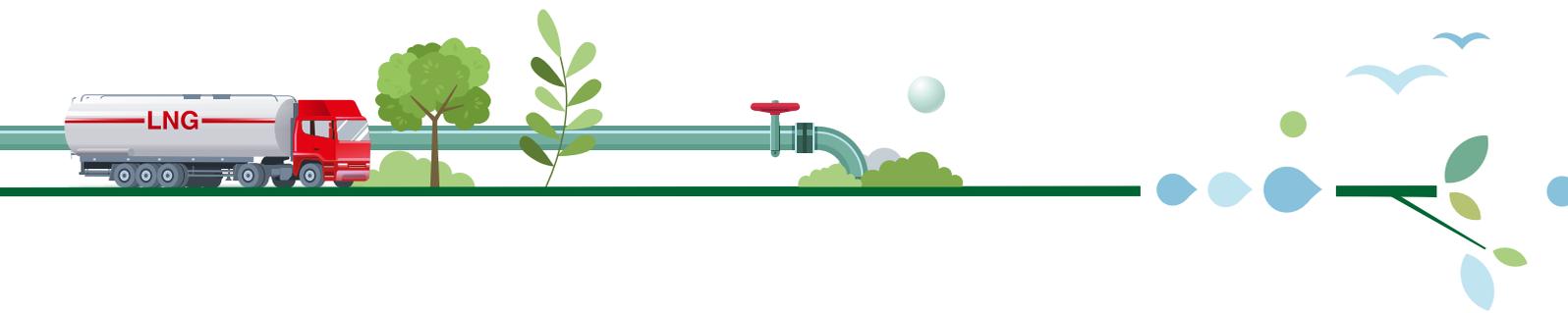
Zhongyu Energy “Green Travel Day”

During the Year, all subsidiaries of Zhongyu Energy actively promoted the “Green Travel Day” and encouraged employees to prioritize green travel modes, such as walking, cycling and taking public transportation, so as to reduce energy consumption and practice a green and low-carbon lifestyle. Some subsidiaries also organized environmental protection-themed hiking activities, which conveyed the awareness of environmental protection while demonstrating the Company’s vitality in green development.



Zhongyu Energy organized the “Green Travel Day” themed activity

In the future, Zhongyu Energy will continue to review its efforts in saving electricity in its operating facilities and offices and strengthen its energy management to improve the Group’s energy use efficiency and contribute to sustainable development.



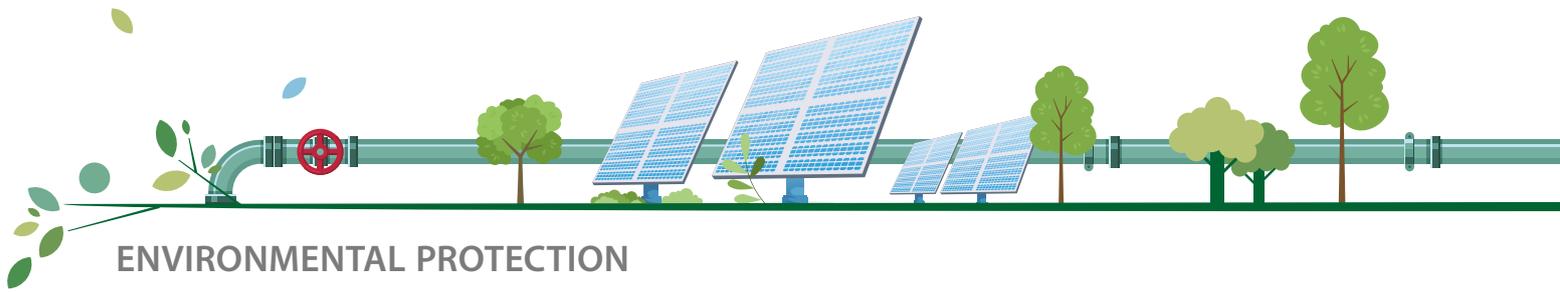
WATER RESOURCES USE MANAGEMENT

Zhongyu Energy values the use of water resources and advocates water conservation. The Group strictly abides by the *Zhongyu Energy Environmental Policy*, and aims to reduce per capita water consumption intensity continuously. We adopt various water conservation technologies, such as water-saving faucets and water-saving toilet systems, to improve water efficiency and reduce water consumption.

In addition, the Group has also posted water-saving slogans in various operation sites, educated staffs to save water and encouraged them to treasure water resources, thereby improving management of water resources in various operation sites. Such measures are helpful to improve employees' knowledge and awareness of environmental protection, thereby promoting the universality and promotion of environmental protection concept.

In the Year, the total water consumption of the Group was approximately 184,277.8 cubic meters, which was mainly for municipal water supply, and no problem was encountered for obtaining suitable water sources. The Group will continue to make active contributions towards achieving its environmental protection goals by actively promoting water resource management and water conservation.

Indicator	Unit	2023	2022	2021
Total water consumption	Cubic meter	184,277.8	144,049.5	151,426.0
Water consumption intensity	Cubic meter/person	36.2	28.4	31.1

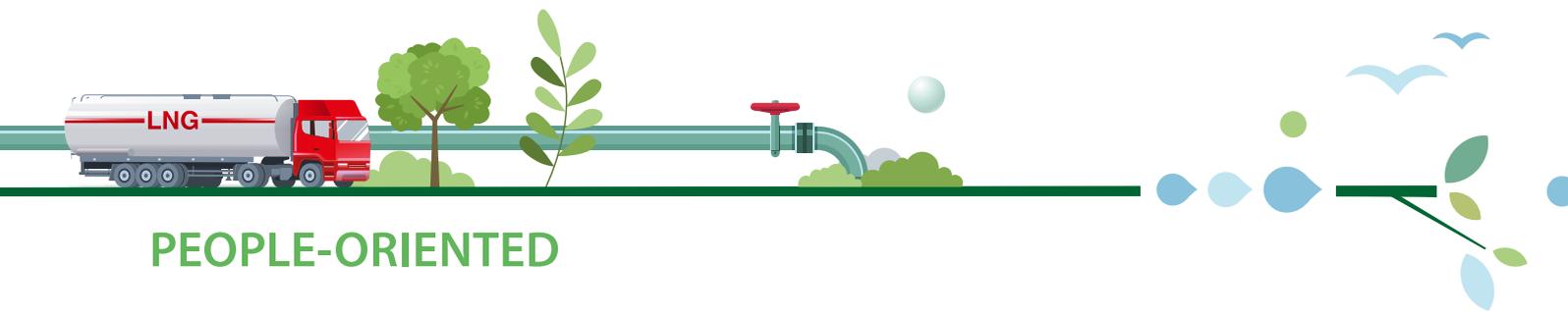


ENVIRONMENTAL PROTECTION

ENVIRONMENTAL TARGETS

The Group reviews the progress of ESG targets on an annual basis to guide various departments to promote the implementation of work tasks, ensuring sustainable development and low-carbon elements are incorporated in all aspects of its operations and business decisions. In addition to greenhouse gas emission reduction targets, the Group has set the following environmental goals:

Environmental targets	Content
 <p>Exhaust emission reduction target</p>	<ul style="list-style-type: none"> Strengthening vehicle exhaust inspection Give priority to purchasing new energy and clean energy vehicles (LNG vehicles and pure electric vehicles) Promoting low-carbon commuting
 <p>Energy saving target</p>	<ul style="list-style-type: none"> Procure energy-saving equipment, implement energy-saving plans, reduce electricity consumption Regular review of energy efficiency and management system
 <p>Waste reduction target</p>	<ul style="list-style-type: none"> Establishing a green and low-carbon office system Reduce the use of disposable materials Promote waste recycling and reuse
 <p>Water conservation target</p>	<ul style="list-style-type: none"> Advocate water conservation for cleaning Procurement of water-saving equipment Explore more effective water-saving technologies



PEOPLE-ORIENTED

Zhongyu energy adheres to the talent development concept of “people-oriented”, and always puts the wellbeing and safety of employees in the first place. We are committed to creating a healthy, safe and harmonious working environment where employees can realise their values and grow together with the Company.

EMPLOYMENT AND RIGHTS OF EMPLOYEES

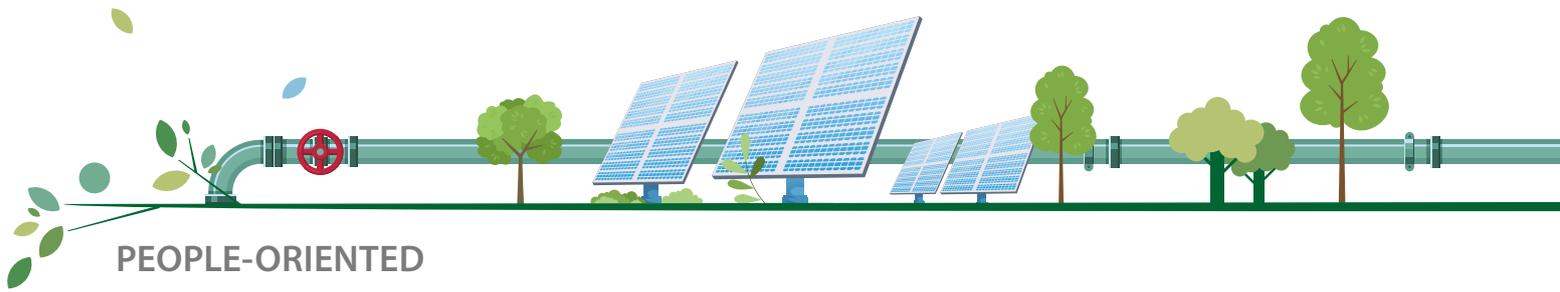
The Group emphasises talent management and strictly abides by the Labour Law of the People’s Republic of China, the Labour Contract Law of the People’s Republic of China and the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). As such, internal policies such as Management Measures for Back-up Cadres of Zhongyu Gas, Management Measures for Employee Rewards and Punishments and Management Regulations on Personnel Rejection were formulated to improve the employment relationship and promotion mechanism, and regulates the Group’s efforts in equal opportunities, diversity and anti-discrimination and other aspects, with the goal of establishing a diverse and equal work environment. Meanwhile, each subsidiary has gradually formulated and improved the Organisational Discipline Management System, Human Resources Management System, Subsidiary Welfare Payment Regulations and Labour Management System to further improve the employment system framework of the Group. This protects the legitimate rights and interests of employees, and comprehensively covers areas of compensation and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination and other treatment and benefits.

During the Year, the Group formulated and published the Employee Rights and Benefits Statement so as to ensure that the Company’s employees are entitled to a comprehensive range of rights and benefits. The statement is our commitment to the welfare of our employees and aims to establish a fair, healthy and safe working environment.

Equal opportunity, diversity and anti-discrimination

The Group attaches great importance to providing equal opportunities for all employees and building a diverse work team, and takes individual differences as the driving force for sustainable development. The Group undertakes to observe the principle of equal opportunities in all employment matters, ensure that employees are respected, and not to differentiate employees by their gender, disability, pregnancy, family status, race, colour, religion, age, sexuality, nationality and union membership. Disabled people are encouraged to join the Group to prohibit any forms of discrimination.

The Group recognise that only by establishing an equal, diverse and inclusive working environment can we attract and retain the best talents and hence achieve the sustainable development of the enterprise. Therefore, the Group will make consistent efforts to create an environment which is conducive to the development of our employees and corporate growth.



PEOPLE-ORIENTED

Employees data

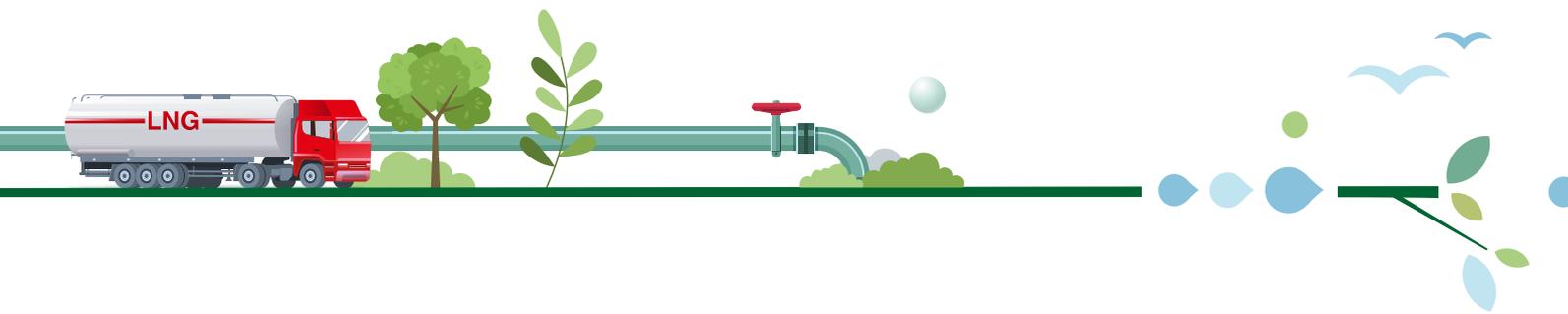
During the Year, Zhongyu Energy had a total of 5,087 employees.

Number of employees		Unit	2023	2022
By geographical region	Mainland China	Person	5,073	5,054
	Hong Kong, China	Person	14	13
By gender	Male	Person	3,346	3,333
	Female	Person	1,741	1,734
By employment type	Full-time employees	Person	4,803	4,780
	Part-time employees	Person	284	287
By age	30 years old and under	Person	1,285	1,335
	Between 31-40 years old	Person	2,069	1,984
	Between 41-50 years old	Person	1,213	1,188
	Over 50 years old	Person	520	560
By position level	Senior management	Person	286	291
	Middle management	Person	605	553
	General employees	Person	4,196	4,223

Employee turnover rate		Unit	2023	2022
By geographical region	Mainland China	Percentage	5.5	5.5
	Hong Kong, China	Percentage	0.0	0.0
By gender	Male	Percentage	6.3	6.3
	Female	Percentage	3.9	3.9
By age	30 years old and under	Percentage	9.0	6.9
	Between 31-40 years old	Percentage	4.4	4.5
	Between 41-50 years old	Percentage	4.0	3.5
	Over 50 years old	Percentage	4.8	9.8

Meanwhile, the Group encourages employees to make suggestions and advice for the Group's development. If there are any comments or suggestions on operation and management, or any objections to various matters involving self-interest, such as job remuneration and benefits, performance appraisal, rewards and punishments, they may report to higher level supervisors, such that it can be reported to the management, or to relevant departments according to their responsibilities. We will also formulate a reporting mechanism on anti-discrimination or harassment in the workplace to deal with relevant complaints, so as to ensure that all reports are fairly handled. Upon receiving consultation or feedback from employees, the management will explain or handle correspondingly according to their authorities.

During the Year, there were no reported cases of non-compliance related to employment.



Compensation system

The Group provides competitive remuneration packages and adopts unified remuneration system for employees in all city gas subsidiaries. The Group also implements a performance management system and employee reward and punishment system to encourage employees to make continuous progress and enhance employees' motivation. The Group adopts a differentiated bonus distribution method to provide an equitable and fair compensation to employees based on their contribution, value creation and devotion.

Working hours and holidays

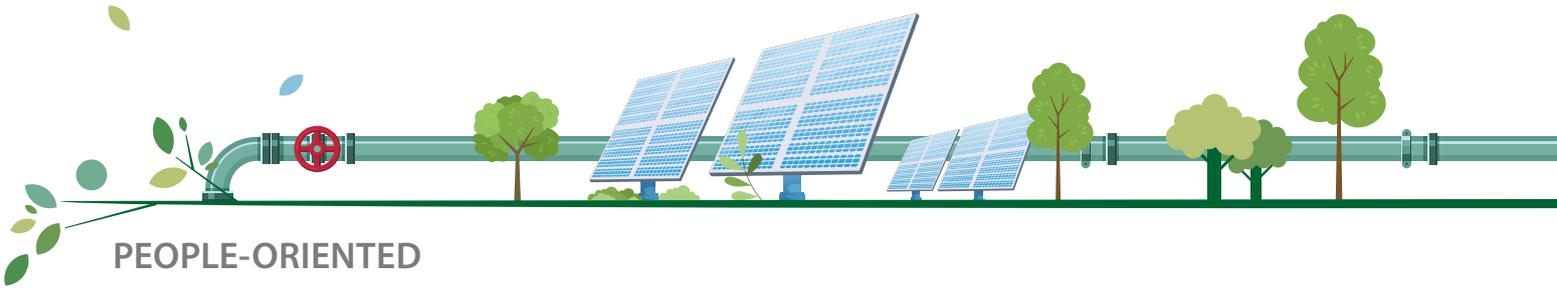
The Group promises to manage staff working hours, rest period and leave in accordance with the relevant laws and regulations of the place of operation. In case of overtime work, it has negotiated with its employees that compensatory time-off or overtime allowance would be granted in accordance with the law. Statutory holidays are full-paid holidays, and the number of days shall be subject to the notice issued by the General Office of the State Council. The actual day-offs are arranged by each unit in consideration of actual production and operation needs, as well as the nature of work of different positions. Other paid leaves are provided in accordance with relevant national regulations. For annual leave, marriage leave, bereavement leave, maternity leave, paternity leave, medical sick leave, work injury leave, International Women's Day leave and family reunion leave, corresponding salary will be approved and paid in accordance with the existing leave management policy of the Group. Employees applying for such leaves shall stick to the leave approval procedures in accordance with the relevant management system of the Group and each of its subsidiary. Completion of leave approval procedures are necessary for the approval and payment of paid holiday to employees.

Other benefits and welfare

The Group implements a unified benefit system for all employees with a consistent distribution standard. Meanwhile, employees are guaranteed various statutory benefits in accordance with the law, and are provided with corporate benefits in consideration of actual situation. The statutory benefits of employees are paid by their unit in accordance with local policy requirements and relevant systems of the Group, including social insurance and housing provident fund. For the statutory benefits for employees who are non-full-time labour dispatched employees, and other labour personnel, it shall be implemented as stipulated in their corresponding contracts.

In addition, the Group provides corporate benefits to its employees, including:

- Holiday benefits: including Lunar New Year benefits, Mid-autumn Festival benefits, Dragon Boat Festival benefits, birthday parties and International Women's Day benefits for female employees.
- Seasonal benefits: including subsidies for hot summers and cold winters.
- Medical checkup: the Company provides an annual medical checkup for employees who passed their probation.
- Union benefits: gifts or condolences given by the Company in respect of marriage, illness and funeral of employees (and their immediate family members); organise cultural activities outside work for employees; lunch benefits and flexible duty reporting at important events, etc.



PEOPLE-ORIENTED

Case Study

“Zhongyu Cup” Sports Games of the Group

On 23rd September, 2023, the “Zhongyu Cup” Sports Games of the Group successfully concluded with the theme of “Embrace Challenges, Dare to Fight and Win”. Fully demonstrating the spirit of sportsmanship based on the principle of “Friendship First, Competition Second”, the athletes of Zhongyu devoted themselves to the competition and showcased their style and competence. The success of the sports games not only further stimulated the spirit of teamwork, enterprising and continuously striving for the best, but also created a good atmosphere for national fitness and strengthened team cohesion.



Zhongyu Energy organized the 2023 “Zhongyu Cup” Sports Games of the Group

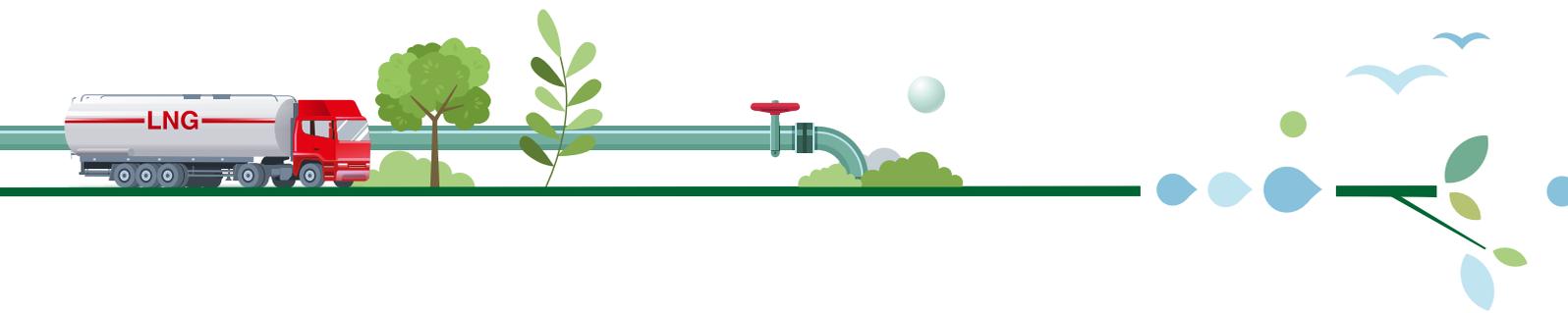
Case Study

“8th March” International Women’s Day

On 8th March, 2023, members of the Group organised a variety of activities, such as fun competitions, film shows, museum visits, interest classes, lectures on physical, mental and family health and spring tours, to celebrate the annual International Women’s Day. The event not only enriched the cultural life of female employees after work, cultivated their temperament, and demonstrated the elegant style of female employees, but also further enhanced their understanding of themselves and the country, bringing all female employees a healthy, harmonious, warm and meaningful festival.



Linzhang Zhongyu Gas organized activities to celebrate the International Women’s Day on 8 March

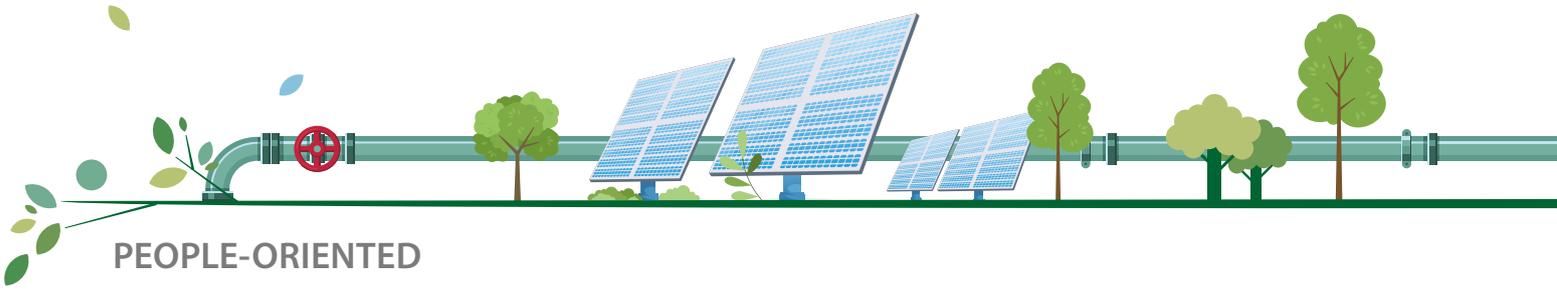


LABOUR STANDARDS

The Group respects human rights and formulates management measures in accordance with the Labour Law of the People’s Republic of China, the Law of the People’s Republic of China on the Protection of Minors and the Employment Ordinance of Hong Kong, such as the Zhongyu Energy Management System of Human Resources. The management system prohibits the employment of child labour and forced labour in the workplace, requiring employees and business partners to comply with corresponding preventive and remedial measures, and strives to protect the legitimate interests of employees.

Scope	Management measures
 Child labour	<p>The Group stipulates that all employees shall meet the minimum age requirement stated in local law and shall verify the age of applicants during recruitment process. If a child labour is employed by mistake, he/she will immediately be stopped from working and sent to hospital for medical examination to ensure that he/she did not suffer any physical health issue. Meanwhile, the relevant person in charge shall contact his/her guardian or local education department to receive him/her. All costs and expenses incurred will be borne by the Group.</p>
 Forced labour	<p>The Group prohibits any forced labour practices and ensures that each employee is working voluntarily. At the same time, they can also resign in accordance with the requirements of their employment contract. The relevant labour management requirements state that all employees who are required to work overtime or be on duty during holidays must obtain prior approval from the general manager. In the event of any forced labour, relevant person in charge shall receive disciplinary action and will be processed according to the procedures. In principle, the Group encourages employees to complete their tasks within the specified working hours and does not encourage working overtime, so as to ensure that they can freely leave the work and dormitory area in their spare time.</p>

During the Year, there were no reported cases of non-compliance related to child labour or forced labour.



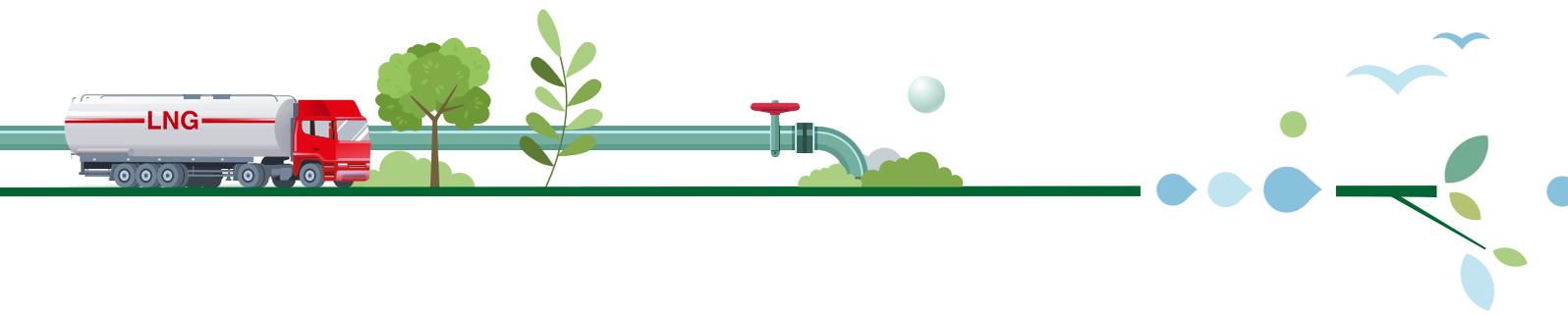
PEOPLE-ORIENTED

TALENT TRAINING

The growth of a company is inseparable from the continuous development of its employees. The Group fully concerns the selection, employment, training and retention of talents. It gradually improves the talent training system, focuses on the exploration and training of talents, strengthens the construction of talent teams at all levels, and provides employees with more learning opportunities and a broad development platform when possible.



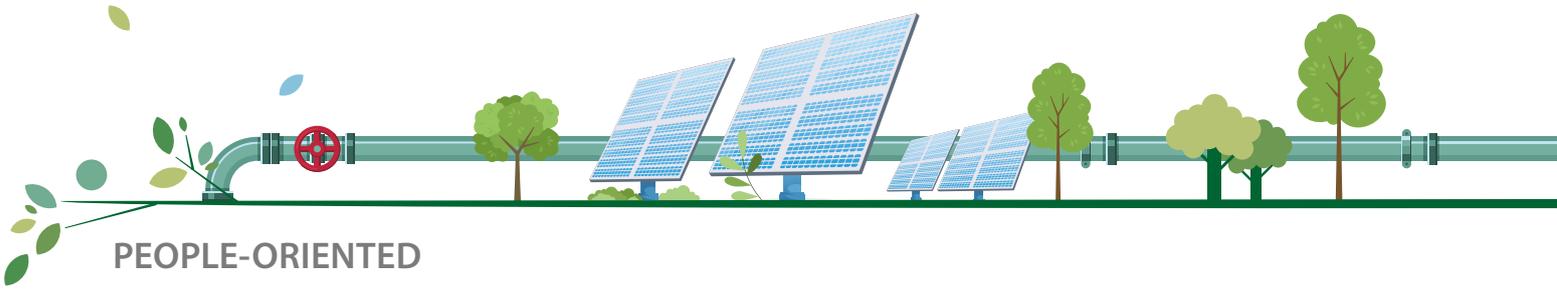
The Company continued to expand training forms, enrich training contents and explore training resources, and gradually established a diversified training pattern for different levels with combination of internal and external training. The Group built and operated the “Cloud Learning” platform, carrying the online learning function of the Group, supporting the “measuring, learning, practicing, examining and applying” of all employees, creating an online and offline integrated learning model, and promoting the continuous transformation and application of knowledge through multiple channels and dimensions. In addition, the Group also regularly evaluates the performance of employees as a reference for employee promotion and benefits disbursement. Currently, the group has set up a dedicated online platform called “Cloud Learning” with nearly 2,000 courses, and new courses are launched monthly to enrich its learning resources.



Zhongyu Energy values and actively assists in the career development of employees through systematic training to improve employee satisfaction and work enthusiasm. The Group provides different types of training for employees, covering new and existing employees at all levels.



Three-level qualification certification system	<p>In order to help employees at all levels to reserve necessary management knowledge and skills in advance, and provide learning and development support for systems such as “knowledge, thinking and ability”, the Group has established a “qualification certification” training mechanism as an entry condition for senior management, middle management, team leaders/supervisors of subsidiaries.</p>
Various echelon training programmes	<p>According to the establishment of the Group’s talent echelon, combined with the actual business and personnel characteristics of key groups of each echelon, the Group sorted out the learning and improvement needs of various personnel, created tailor-made training programmes, and continuously improved the professional capabilities of each group.</p>
Professional skills training	<p>The Group organised the business backbone of each subsidiary to form an internal trainer team, carried out curriculum development based on the experience extracted from various grassroots positions, and formed professional skills training for the “should know and should do” knowledge of each position.</p>
Front-line practical training	<p>The Group attaches great importance to vocational skills training for front-line employees, and has built a professional training base in Jiaozuo City, Henan Province. The base serves as the main base of the Group’s practical training and plays an important role in promoting business development. The base also undertakes the social functions of vocational training in local gas industry.</p>



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Training program

Zhongyu Energy values the development of its employees and has established an annual training plan for its staff. The Group aims to enhance the competitiveness of both employees and the Group and promote our mutual growth by continuously promoting mentoring programs, reviewing management systems, optimizing online training platforms, and enriching training courses.



Employees training target: taking 2020 as the baseline, 10% annual increase in average employee training hour with a target to achieve average employee training hour of 55.1 hours by 2023.

In 2023, the average employee training hours of the Group is 55.8 hours, achieving the training target for the year.

Training indicator		2023	2022	2021	2020
Average training hours of employees	Hours	55.8	50.8	45.5	30.9
Employees training target (10% annual increase in average employee training hours)		✓	✓	✓	

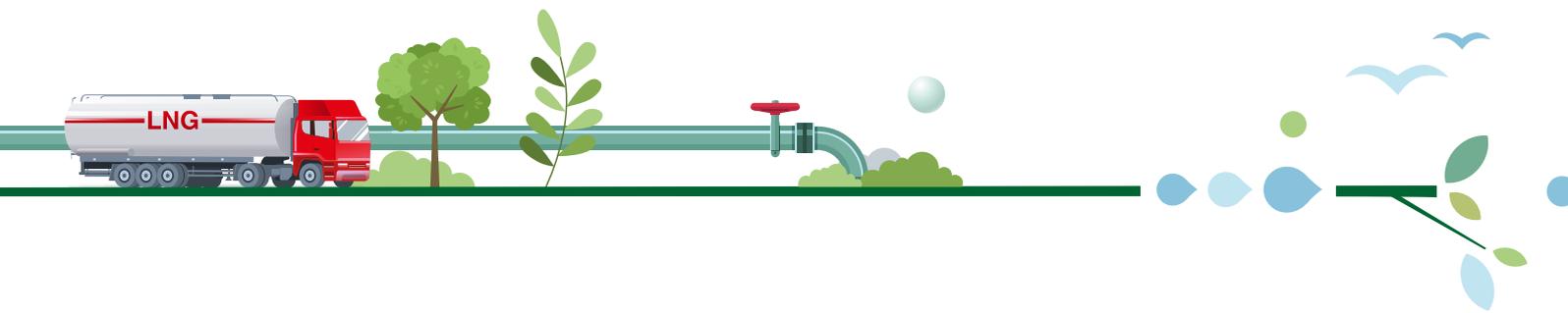
Recognizing the importance of staff training, Zhongyu Energy Group is committed to enriching the skills and knowledge of its employees through a wide variety of training topics. In order to adapt to the ever-changing business demands and facilitate personal career growth, the Group updates and expands the database of its online training course annually.

The percentage of each of the training topics during the Year are as follows:

Training topics



- Employees vocational training
- Employees soft power training
- Safety and ideological education training
- Safety skills training
- Safety and legal system training
- Safety knowledge training
- Professional training
- General management training
- Employees health training
- Anti-corruption training

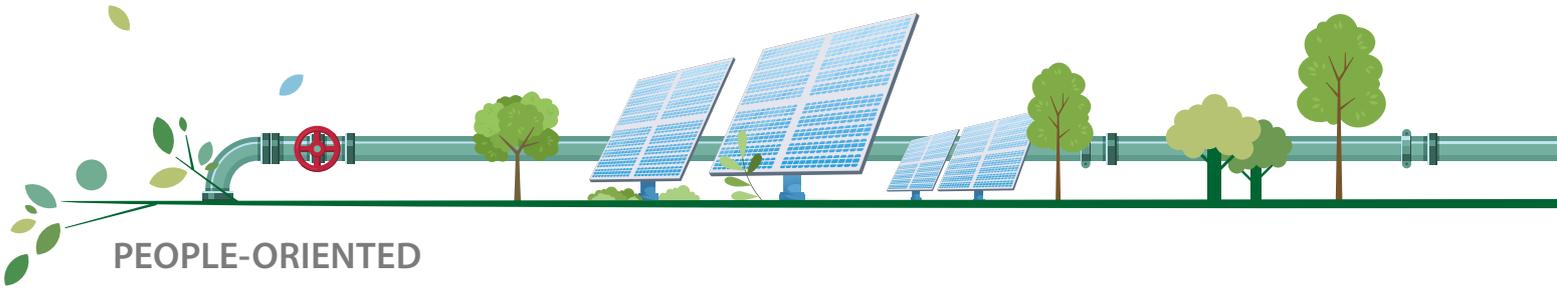


Since 2018, Zhongyu Energy has placed special emphasis on the professional safety management. Accordingly, it has implemented a series of measures aimed at motivating the safety management personnel of its subsidiaries, as well as staffs in other related positions, to obtain professional qualifications such as the qualification of certified safety engineer. These measures include organizing regular examination experience sharing sessions to facilitate the knowledge sharing and the exchange of best practices.



The Gas Group (燃氣集團) organized the First Certified Safety Engineer Forum

In recent years, the Group's marketing and customer service department has continued to focus on upgrading the skill level of its staff and strengthened its investment in the cultivation of professional and skilled talents. It has successively established professional training bases in Guangdong and Henan, and organized more than 2,300 professional skills training and job certification and assessment activities, with an average annual staff elimination rate of nearly 10%. With the continuous efforts over the past few years, Zhongyu has basically set up a professional team with the ability to install, repair and rescue gas pipelines and gas appliances, and 100% of personnel from the key customer service positions have been assessed and certified for employment.



PEOPLE-ORIENTED

Case Study

The 3rd Customer Service and Value-added Business Skills Competition

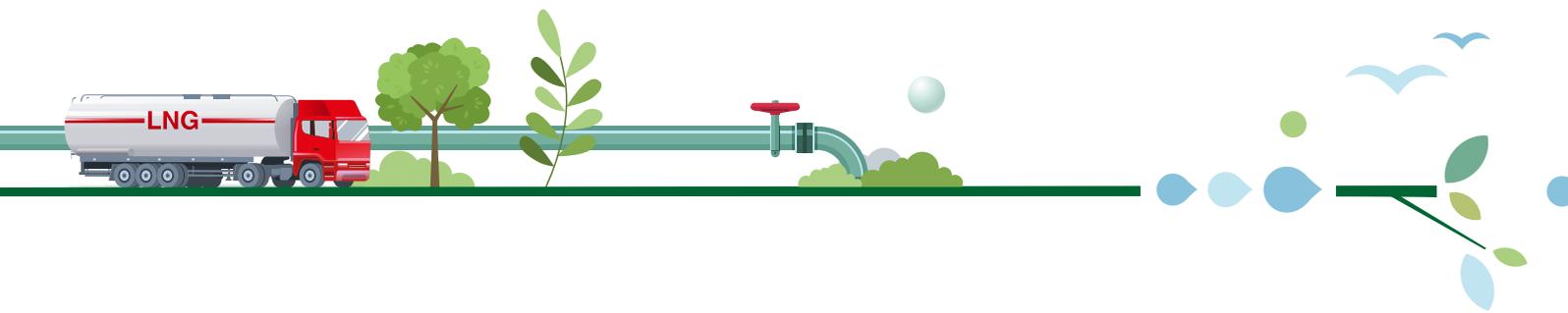
On 24 August, Zhongyu Energy Group successfully organized the third “Customer Service and Value-added Business Skills Competition” at the new professional skills training base in Lingbao. With 43 participating subsidiaries from all over the country, 100 staff members of Zhongyu formed 20 teams and underwent fierce competition in practical training and theoretical examinations.

Preparation for the competition this year began in June and lasted for more than two months. The competitions included indoor piping installation, gas appliance and water purifier installation, gas appliance repair, gas connection and ignition and household safety inspection. Compared with the previous two competitions, the third skills competition had four highlights. Firstly, the competition this year ensured that all subsidiaries could participate in the competition, with every 6-7 subsidiaries forming a team, and team prizes were added. Secondly, the practical competition this year adopted personalized installation workshops, which were equipped with a full range of “Zhongyu Phoenix (中裕鳳凰)” gas appliances. Thirdly, the competition this year consisted of “one-stop” services such as simulated indoor piping installation, gas appliance installation, gas connection and ignition, gas appliance repair and household safety inspection, and incorporated key aspects such as household potential hazard inspection, retrofitting of household safety and security products, and product failure repairing.

The participants fully demonstrated their professional knowledge and skills, and made positive contributions to the provision of quality services and fulfillment of customer needs. Through this competition, Zhongyu Energy Group has further enhanced the level of skill and teamwork of its staff, which has provided strong support for the Group’s development and customer satisfaction.



Zhongyu Energy organized the third Customer Service and Value-added Business Skills Competition



Case Study

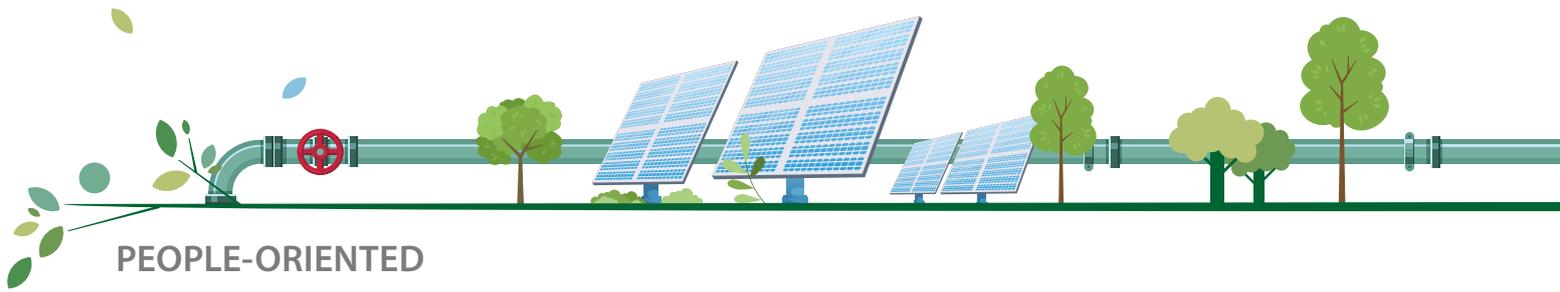
Sihong Training Base of Zhongyu Energy for tackling Hazardous Chemical Accidents

The Group actively cultivated high-level, professional and skilled talents and built a learning and exchange platform for employees. Among them, the Group's first distributed energy station project in commercial operation, the "Xinmi City Maternity and Child Health Hospital Distributed Energy Station", was successfully certified as the "Natural Gas Distributed Energy Henan Training Base of China City Gas Association". The training base has a complete set of training systems and teaching models, which can conduct real-life scenario simulation and practical operation practices to help the Group organise training on the development and construction of natural gas distributed energy projects, so as to meet employees' needs for annual training drills and vocational skills appraisal. In addition, the base also undertakes the social function of vocational training in local gas industry.

The Group actively cultivated high-level, professional and skilled talents and built a learning and exchange platform for employees. The Group and the fire brigade jointly set up the first local integrated natural gas station in Sihong County, which integrated various natural gas processes such as CNG decompression and LNG storage. The training base can not only effectively train and strengthen the emergency response and rescue capability of the emergency rescue team for hazardous chemicals and test the feasibility of the emergency response plan, but also organize training on natural gas disaster relief for the Group to help the staff to master the procedures and key points for hazardous chemical disposal. The training base has a complete set of training systems and teaching models, which can conduct real-life scenario simulation and practical operation practices to meet employees' needs for annual training drills and vocational skills appraisal. In addition, the base also undertakes the social function of vocational training in local gas industry.



The opening ceremony of the training base for handling hazardous chemical incidents in Sihong County of Zhongyu Energy

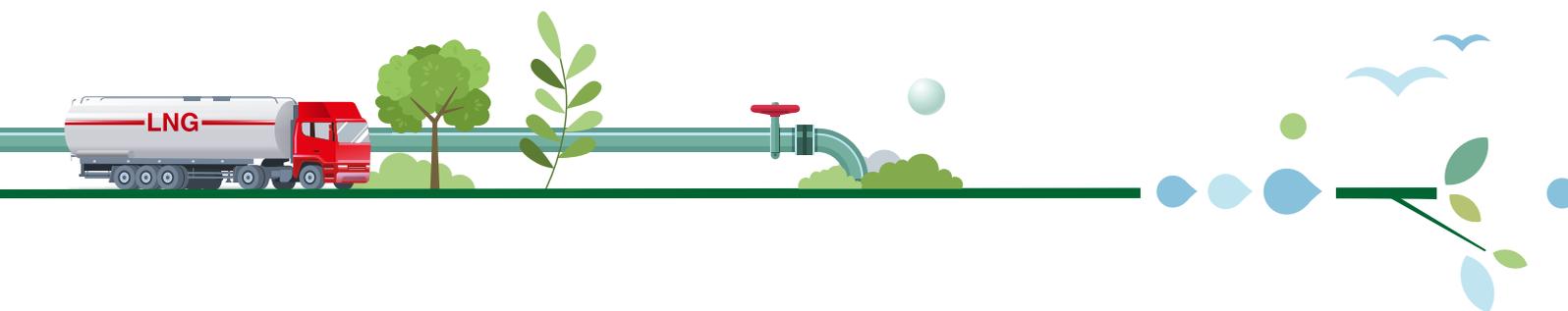


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ANTI-CORRUPTION MEASURES

Zhongyu Energy has formulated a series of systems and measures for anti-corruption such as the Zhongyu Energy Audit and Supervision System, Zhongyu Energy Accountability System, Notice on Further Strengthening the Supervision and Contribution of the ‘Top Leaders’ and the Management Team, Zhongyu Energy Reporting Management Measures (Trial) and the Ten Red Lines of Zhongyu Energy Employee Behaviour to ensure that the Group does not have any form of corruption, bribery, extortion, fraud and money laundering during the course of operation. In the meantime, the Group also strictly complies with relevant laws and regulations such as the Anti-Unfair Competition Law of the People’s Republic of China, the Anti-Money Laundering Law of the People’s Republic of China and the Prevention of Bribery Ordinance of Hong Kong, and ensure that employees understand and comply with relevant requirements, and must not participate in any bribery or corruption activities.

<p> Zhongyu Energy Accountability System</p>	<ul style="list-style-type: none"> The audit and supervision department has introduced in detail the relevant contents of the “Accountability System” within the Group to ensure the apprehension and understanding of the contents of the system by employees, regulation of daily behaviours and effective implementation of the system.
<p> Notice on Further Strengthening the Supervision and Contribution of the ‘Top Leaders’ and the Management Team</p>	<ul style="list-style-type: none"> In order to enhance the professional ability and quality of the management of each company, enhance the ability of each company to prevent operation and management risks, combined with the problems discovered by the audit and supervision department over the years, a precise supervision mechanism was established by the Group to strengthen management efficiency.
<p> Zhongyu Energy Reporting Management Measures (Trial)</p>	<ul style="list-style-type: none"> The Measures aimed at maintaining the normal production and operation order of the Group, ensuring that the interests of the Group would not be damaged. It cracked down on violations of laws and regulations such as infringement of the interests of the Group and disruption of the development order of the Group. Employees of the Group were encouraged to actively report various acts that may damage the interests of the Group and the legitimate interests of the whistleblowers would be protected. The Measures clearly set out multi-channel reporting methods, such as by telephone, email and enterprise WeChat, and it will give corresponding rewards to the whistleblowers for verified reporting information.
<p> Ten Red Lines of Zhongyu Energy Employee Behaviour</p>	<ul style="list-style-type: none"> The Ten Red Lines aimed at maintaining the normal production and operation order of Zhongyu Energy and strengthening the red line awareness of employees in the operation and management. The Ten Red Lines clearly defined ten prohibited behaviours, such as prohibits the solicitation, provision or acceptance of benefits from customers, suppliers or anyone who has business dealings with the Group in the name of the Group, and the violation of any of them will be strictly investigated for the relevant responsibilities and heavily punished according to the “Accountability System”.



During the Year, the Group did not receive any reported cases of corruption. The Group has set up multiple channels such as mailbox, e-mail, telephone and corporate WeChat platform to receive whistle blowing information. For the reported information received, the audit and supervision department shall conduct independent investigation and verification. After the audit investigation report is reviewed by the audit and supervision committee, the responsible person for the relevant issues shall be held accountable in accordance with the rules and regulations.

The Group attaches great importance to anti-corruption publicity and education for employees, and has held a number of special trainings on integrity and self-discipline and typical cases during the Year to further strengthen the ideological education of all employees with typical case training, establish red line awareness and bottom line thinking, and promote business rectification and improvement.

In 2023, through the online cloud learning platform, a total of 1,592 employees received anti-corruption related training, with a total of 2,306 training hours. The training content includes the study of anti-corruption documents of the Company, introduction of corruption-free and domestic anti-corruption situation and case analysis.

Anti-corruption training		Unit	2023
Management level (male)	Persons receiving training	Person	248
	Total training hours	Hour	608
Management level (female)	Persons receiving training	Person	32
	Total training hours	Hour	73
Managerial grade employees (male)	Persons receiving training	Person	433
	Total training hours	Hour	937
Managerial grade employees (female)	Persons receiving training	Person	172
	Total training hours	Hour	388
General employees (male)	Persons receiving training	Person	189
	Total training hours	Hour	189
General employees (female)	Persons receiving training	Person	111
	Total training hours	Hour	111



SAFETY OPERATION AND QUALITY MANAGEMENT

HEALTH AND SAFETY

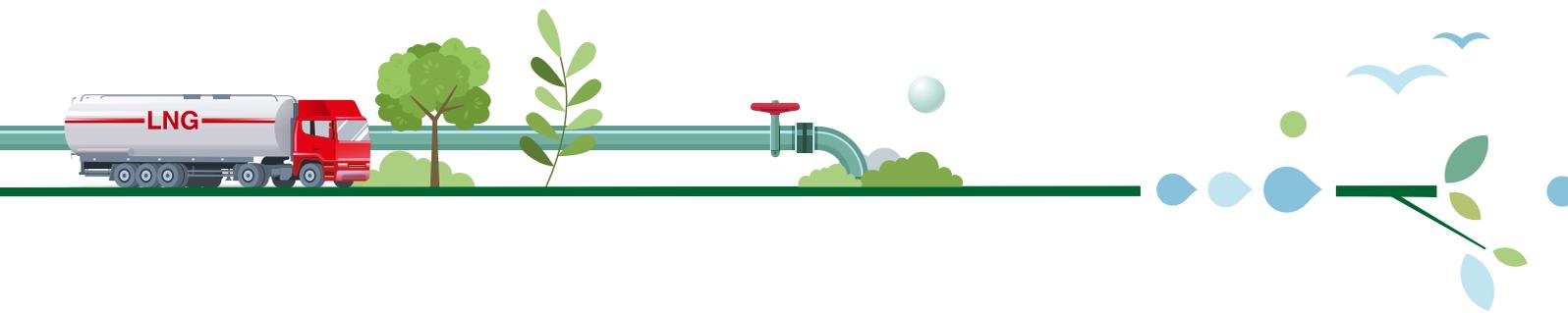
The Group is fully aware of the importance of employees' health and safety to an enterprise. As such, we continued to promote our production safety approach during the Year and paid greater attention to the health and safety of employees. Zhongyu Energy, as a company specialising in the sales of gas, will cause huge impact on the health and safety of its employees if an accident occurs, such as a gas leakage in its workplace. Therefore, the Group has formulated internal policies such as the Zhongyu Energy Safety Production Management Regulations, Safe Production Liability Insurance System, Zhongyu Energy Safety Review Form and Zhongyu Energy Safety Production Ban, aiming to achieve zero work injury and eliminate any safety hazards incurred in the course of operation.

At the same time, we will also strengthen our concern for the health of our employees and provide services such as health checkups, and occupational health education and training, so that our employees can understand their own health conditions and prevent the occurrence of occupational diseases. We firmly believe that only by maintaining the health and safety of our employees can we enable them to devote themselves to their work and realize the sustainable development of the company.

In addition, the Group also strictly complies with relevant laws and regulations, such as the Production Safety Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases and the Occupational Safety and Health Ordinance of Hong Kong. During the Year, there were no reported cases of non-compliance regarding health and safety. We will continue to strengthen our internal management and supervision to ensure that all employees work in a safe and healthy working environment.

Occupational health data

Health and safety	Unit	2023	2022	2021
Number of work-related fatalities	Person	0	0	0
Lost days due to work injury	Day	40	45	45



Safety Management Framework and Management System

In order to ensure effective protection for the safety of employees, the Group has clearly defined the production safety responsibilities of each supervisor at all levels in the Group to identify hazard risks and factors in the workplace and to take effective preventive and control measures. The Group will also formulate an annual safety work plan, require employees at all levels to sign the Safety Management Objective Responsibility Letter, and conduct strict assessment on the safety objectives.

Relevant person in charge	Production safety responsibility
<ul style="list-style-type: none"> Head of Headquarters and major person-in-charge of Subsidiaries 	<ul style="list-style-type: none"> Implement the national regulations on safe production and establish corresponding safety management systems; and Formulate major accident preventive measures and emergency response plans. If a material production safety accident occurs within his/her jurisdiction, he/she should arrive at the scene promptly to organise and give commands during the rescue work.
<ul style="list-style-type: none"> Deputy general manager of safety 	<ul style="list-style-type: none"> Organise and commence safety education and training to raise employees' safety awareness, to enhance the standards of safe operation, and to supervise employees who are engaged in safety management and special work to acquire permits before they work; and Supervise each department to fulfill the production safety responsibilities and implement production safety regulations, and to rectify any dereliction of duty in the production process in a timely manner.
<ul style="list-style-type: none"> Person-in-charge for production safety of each department 	<ul style="list-style-type: none"> Responsible for announcing production safety information, such as: accident and casualties statistics, etc.; Organise work related to production safety emergency drills; and Report the status of production safety to the safety supervision and management department on a monthly basis, and actively make suggestions for improvement based on the actual situation.
<ul style="list-style-type: none"> Safety administrator at grassroots level 	<ul style="list-style-type: none"> The engineering and operation departments shall establish the position of safety administrators according to the arrangements for work safety, who are responsible for all works in relation to production safety management.



SAFETY OPERATION AND QUALITY MANAGEMENT

The Group places great emphasis on customer health and safety, which is why it has established a safety management system and implemented standardized management practices. Through supervision, inspection and measurement verification, each process (including facility design, engineering, operation and maintenance) is in compliance with safety standards.

The Group has maintained a clear division of emergency handling responsibilities between each department and formulated handling procedures by accident types to ensure timely and effective handling of gas facility emergencies. After receiving an accident report, each unit should immediately initiate the corresponding emergency plan to organise emergency rescue and take timely measures to rescue the relevant personnel, prevent the accident from expanding and reduce casualties and property losses.

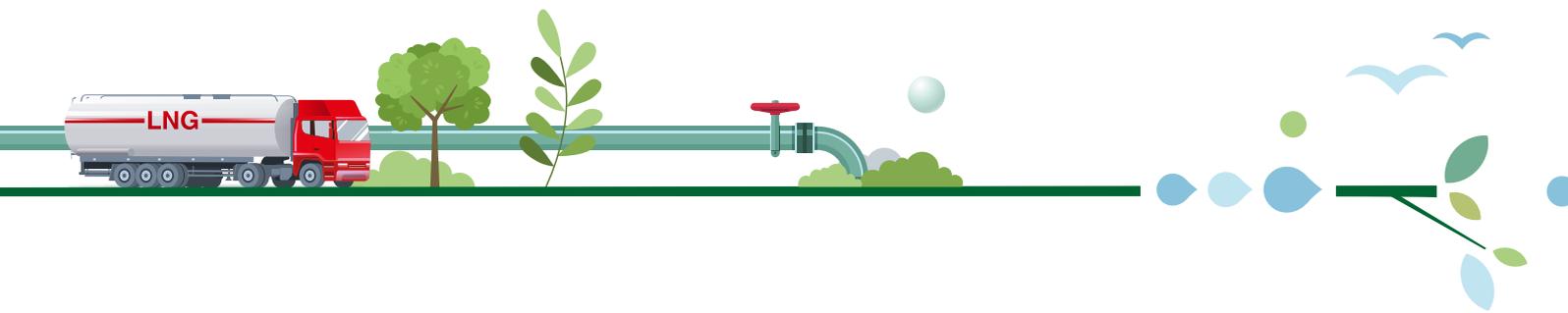
In the event of a gas leak, each subsidiary shall arrange personnel to arrive at the scene in the first place for emergency rescue, repair the faulty gas pipeline/facilities, and resume gas supply after passing the air tightness test. In the event of an indoor gas accident, each subsidiary should follow the instructions of “*Essential Responses for Gas Accident Emergency of Residential Users*” and the emergency plan requirements of the Group. Emergency work groups should be despatched immediately to cooperate with the government organisation to carry out emergency rescue and rescue work and investigate and handle the accident. Also, the post-accident team must evaluate the incident rescue process to identify deficiencies of the emergency procedures and propose improvement measures.

Safeguarding Customer Safety

Zhongyu Energy is committed to safeguarding the safety of its customers by carrying out routine household safety inspection and special inspection to eliminate the safety hazards of users. For non-residential users such as commercial users and industrial users, the household inspection should not be less than twice per year; for residential users, the household inspection should not be less than once per year. During safety inspection, the Group will distribute the “Instructions for Safe Use of Gas” and affix logos and signs promoting safe use of gas. The focus of the household inspection is on the use of gas facilities, such as meters, stoves, water heaters and hoses. If a safety hazard such as a gas leakage is found, the leak test will be performed immediately to further identify the leak point. At the same time, the maintenance personnel will be notified immediately to handle it. After conducting the safety inspection, the Group will also arrange interviews with users, so as to further understand the feedback from them on the services of the Group. The Group requires a customer interview rate of not less than 5%.

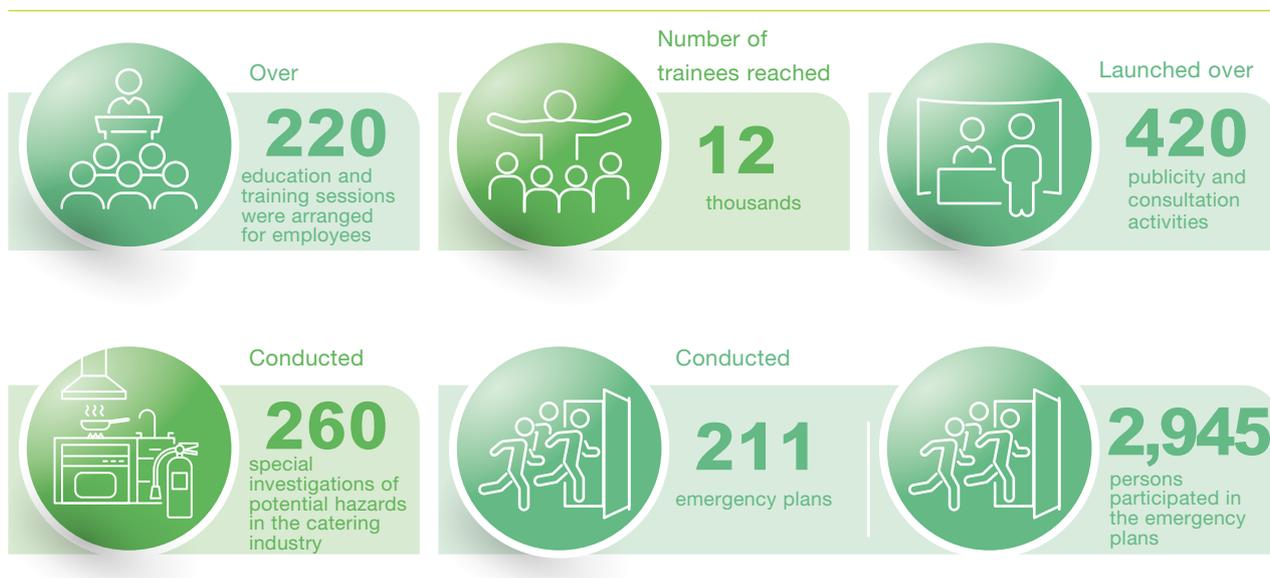
In order to better protect the safety of customers, the Group has established a special safety joint inspection group, which is responsible for carrying out comprehensive and in-depth investigation and rectification of potential risks of gas pipeline network facilities at LNG stations, large urban complexes, kindergartens and other places with dense populations as well as the safety of gas use by residents in some older communities. The weak links found during the inspection will undergo immediate investigation and rectification so as to eliminate potential safety hazards in a timely manner.

In addition, the Group made amendments to the Standards for Safety Inspections of Household Potential Hazards and Rectifications, Work Standards for Regular Safety Inspections of Industrial and Commercial Users and Work Standards for Regular Safety Inspections of Residential Users in 2022 to further improve its work standards.



Safety Production Month

Every year, the Group actively responds to the “Safety Production Month” campaign initiated by the State and launches a series of activities centered on the theme of “Everyone Concerns about Safety, Everyone Knows How to Respond to Emergencies”. These activities include safety knowledge online contests, publicity and education training, emergency contingency plan drills, and special activities such as the investigation of potential hazards. During the Safety Production Month in 2023, the Group:



Zhongyu Energy attaches great importance to the building of emergency response capacity and requires all subsidiaries to carry out emergency response capacity assessment to identify emergency response loopholes, and improve the emergency response capabilities for sudden safety accidents by remedying the shortcomings and strengthening the weaknesses. We will continue to improve our emergency rescue system and enhance the efficiency and level of emergency rescue to ensure that emergency response can be carried out quickly and effectively in the event of sudden safety accident, and hence minimize the impact of the accident on employees and users.



SAFETY OPERATION AND QUALITY MANAGEMENT

Case Study

The Third Safety Knowledge Online Contest

In 2023, the Group organized and launched the Third Safety Knowledge Online Contest, covering national and industry standards, the Group’s management policies, standards and important documents. A total of 3,560 staff of the Group participated in the online quiz, with an overall participation rate of 75%. The general managers of all subsidiaries led by example and actively took the lead in answering the questions. Together, they have created a good atmosphere of “learning safety, implementing measures, strengthening awareness, and promoting management” for all employees to participate in. After the fierce competition in the preliminary and final rounds, a total of 286 contestants made it to the finals, and 31 of which have competed the final challenges with excellent results.



The Third Safety Knowledge Online Contest of Zhongyu Energy

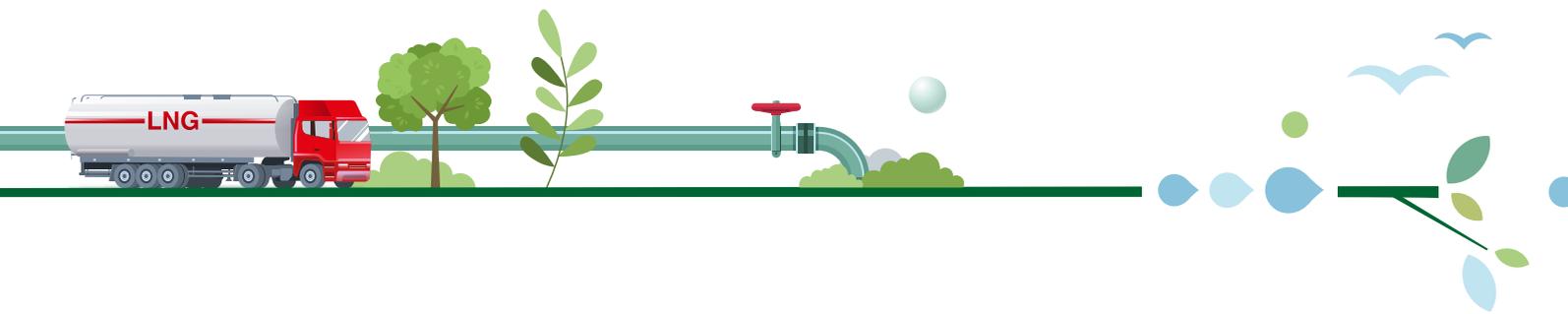
Case Study

Design and Release of Series of Promotional Posters

The management headquarters planned and designed a series of posters to publicize safe production. The internal publicity poster focused on interpreting the management of the PDCA (Plan, Do, Check, Act) cycle and clearly defined the details of the “Five Leadership” campaign for persons-in-charge of the Company, with an aim to enhance the standards of safety management by actively advocating the concept of safety culture and reinforcing the awareness of safety responsibilities of all staff. The external publicity poster publicized the potential risks in relation to safe use of gas by different types of user, through which it has regulated their behaviors to ensure safe use of gas, hence preventing and reducing safety accidents of various users. In response to the frequent occurrence of third party damages to pipeline networks, the posters also publicized the regulations on the protection of gas facilities and clearly defined the statutory responsibilities of all levels of the society.



Series of posters to publicize safe production of Zhongyu Energy



Case Study

Safety Deployment for Emergency Use of Gas

In response to the instructions of the State Council in June last year to comprehensively investigate safety risks and potential hazards, and resolutely curb the occurrence of various types of major and extremely serious accidents, the Group will promptly convene an emergency meeting for work deployment of safe production, and will swiftly initiate and complete the relevant investigation within a short period of time. It will also prioritize spot check of gas stoves and pipelines in catering establishments to ensure that all kinds of potential hazards are investigated and eliminated to protect the safety of residents as well as industrial and commercial gas users. Besides, it will implement the main responsibility for safety and enhance the safe operation of the Company's pipeline network with a view to protecting users' safety and stability in using gas with its all-out efforts.



Spot check for safe use of gas by users

Case Study

Emergency Rescue Drill for Third Party Damages to Gas Pipeline Network

Nangong, Ji yuan, Xinmi and Wuqiao Zhongyu Gas cooperated with the respective competent local government authorities to carry out emergency rescue drills for accidents involving third party damages to gas pipeline network. The on-site drill simulated the damages to and hence the leakage of gas pipelines caused by illegal construction of third-party construction units. Upon receiving the alarm, each company immediately rushed to the scene and carried out safety precautions, concentration monitoring, leak detection, professional repair and other disposal work in an orderly manner. The emergency response team successfully completed the emergency rescue drill task, demonstrating their high level of professional and technical expertise.



Joined hands with local governments to carry out emergency rescue drills for accidents involving third party damages



SAFETY OPERATION AND QUALITY MANAGEMENT

Supply Chain Management

Supply chain management is an important part of the Group's operation. Good supply chain management enables the Group to provide high quality products and services to its users. The Group has formulated the management policies such as the Material Purchase Management System and Contract Template for Material Procurement to regulate the selection procedures and standards of suppliers, including environmental and social performance standards. The material management policies set out technical specifications of various materials, requiring all tendering suppliers to strictly comply with the environmental and industrial-related standards and regulations. The suppliers of the Group are mainly shortlisted through business negotiation and tender, and in principle, three suppliers will be shortlisted for each type of materials. In 2023, the Group has employed a total of 171 suppliers.

Pursuant to the Material Purchase Management System, the Group has established a supplier selection mechanism to assess the supplier's product quality, price, effectiveness of product usage and after-sales services, and to eliminate suppliers that do not meet the requirements of the Group.

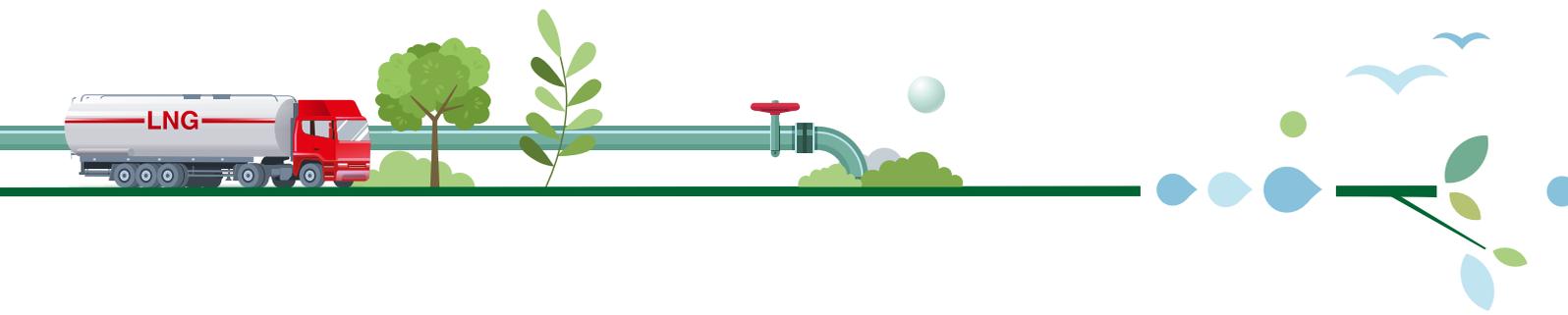
In addition, the Contract Template for Material Procurement provides an explicit agreement with the suppliers that the Group cooperates with on the quality assurance of the products where:

- The suppliers that the Group cooperates with shall guarantee that the contract products are brand new and fully comply with the relevant national quality standards, as well as the brand, quality, specifications and performance requirements stipulated in the contract.

- The suppliers shall guarantee the warranty period of the products and the service life and performance of the products. If any product quality problem arises during the product warranty period, the suppliers shall be responsible for free replacement or repair. In case of failure to repair or replace, the suppliers are responsible for refund, and shall timely analyse the cause in order to take corrective and preventive measures.
- Adjustments on the product varieties, specifications, quality and packaging made by suppliers due to substantial changes in production materials, production equipment, production techniques or market are subject to prior negotiations with the Group, and changes could only be made upon written confirmation by the Group.

In addition, the Group also requires suppliers to use parts and components of products which are in compliance with the requirements of RoHS and verified by RoHS report, and list out the name and content of possible hazardous substances contained in such products in the product user manuals pursuant to the State's Measures for the Administration of the Restricted Use of the Hazardous Substances Contained in Electrical and Electronic Products in order to promote the procurement of environmentally friendly products.

Zhongyu Energy also focuses on managing the environmental and social risks of the supply chain, therefore, it undergoes assessment and supervision on its suppliers to incorporate various system certifications regarding environment, occupational safety and health, and quality (such as ISO 14001, ISO 45001, ISO 9001, etc.) into the assessment items, and motivates the suppliers to enhance the environmental and labour interest management. Currently, most suppliers of the Group have obtained environmental, occupational safety and health, and quality management system certifications.



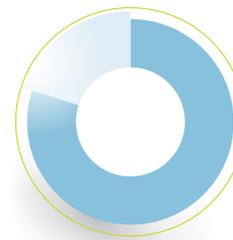
The Group will supervise the entire procurement process, conduct special audits and inspections on a regular basis, and deal with violations of laws and regulations to ensure the compliance of the procurement process.



Proportion of approved suppliers with quality management system certification
>95%



Proportion of approved suppliers with environmental management system certification
>90%



Proportion of approved suppliers with occupational health and safety management system certification
>90%

The Group also requested all suppliers while supplying products with good quality, must also abide by strict business ethics, pursue the highest level of business ethics and integrity in business operations, and meet the environmental and social requirements of the Group, for example:

Environmental aspect	Social aspect
<ul style="list-style-type: none"> • Ensure that no materials harmful to the environment are being used in processing and manufacturing • Develop an environmental protection system to manage environmental risks arising from daily operation • Obtain permission for environmental impact assessment 	<ul style="list-style-type: none"> • Resolutely refuse to accept any bribes and other misconducts • Maintain fair trade and competition • Comply with relevant labour regulations to ensure that the legitimate interests of employees are protected • Not to differentiate employees by their gender, disability, pregnancy, family status, race, colour, religion, age, sexuality, nationality, union membership or other reasons • Respect the basic labour human rights protection principles, including the internationally-recognised basic labour human rights principles



SAFETY OPERATION AND QUALITY MANAGEMENT

PRODUCT RESPONSIBILITY

In order to ensure that the health and safety of the products and services, intellectual property rights, customer complaint handling procedures and customer privacy protection comply with relevant national laws and regulations, the Group has formulated internal management policies such as the Zhongyu Energy Safety Production Management Regulations, Guidelines for the Safety Inspection of Household Gas Facilities and Daily Inspection Management System, committing to improving its products and services responsibility management structure.

The Group complies with relevant laws and regulations, such as the Product Quality Law of the People's Republic of China, the Three Guarantees Rules of the People's Republic of China, the Law of the People's Republic of China on Protection of the Rights and Interests of the Consumers, the Advertising Law of the People's Republic of China and the Personal Data (Privacy) Ordinance of Hong Kong. All products are covered by product liability insurance which is undertaken by Ping An Property & Casualty Insurance Company of China, Ltd. During the Year, the Group was not aware of any cases of non-compliance regarding the health and safety of products and services, advertising and labelling.

LABELLING MANAGEMENT

In strict compliance with the Product Quality Law of the People's Republic of China and the Advertising Law of the People's Republic of China, the Group is committed to providing complete, accurate, sufficient and timely information, including promotional publications and product labels, to external stakeholders, including investors, customers and partnering institutions. If the relevant information is found to be inaccurate or misleading, it should be amended and replaced by specified staff as soon as possible to protect the interests of consumers.

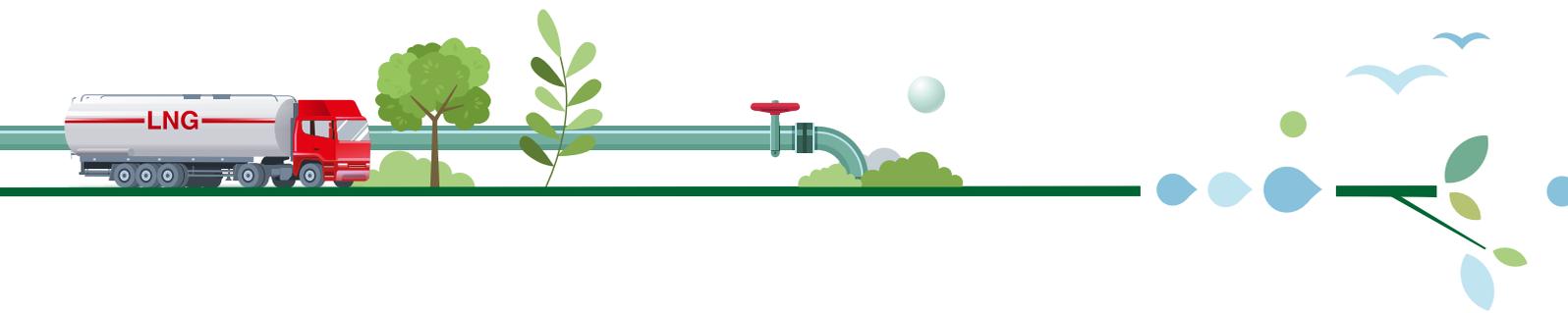
INTELLECTUAL PROPERTY

The Group is committed to protecting intellectual property rights of the Group and its partners from being infringed and complying with the confidentiality agreement and licensing system agreed by both parties. In addition, to ensure the use of genuine software in all operational processes, the Group also provides relevant training on the use of genuine software for information management personnel. In the process of cooperating with external agencies, the contract terms also stipulate that there should be no infringement involved in the products and services provided by the agency.

RECALL OF DELIVERED PRODUCT

The product quality inspection of Zhongyu Energy is verified on a sample basis according to the Guidance on Finished Products Inspection Work. In compliance with the relevant national regulations and having in place the After-sales Service Policy of Zhongyu Phoenix (中裕鳳凰) Brand Products, the Abnormal Product Quality Management System and other relevant management policies, the Group strictly monitors product quality and provides reasonable after-sales services, including return, exchange, local maintenance and return for maintenance. The Group requires all subsidiaries to conduct proper signing and acceptance of returned products according to the procedures. For products damaged by logistics and distribution, subsidiaries should take photos of the defective products when signing for receipt and give feedback to the after-sales staff at once.

During the Year, there were no sold or delivered products recalled by the Group due to safety and health reasons.

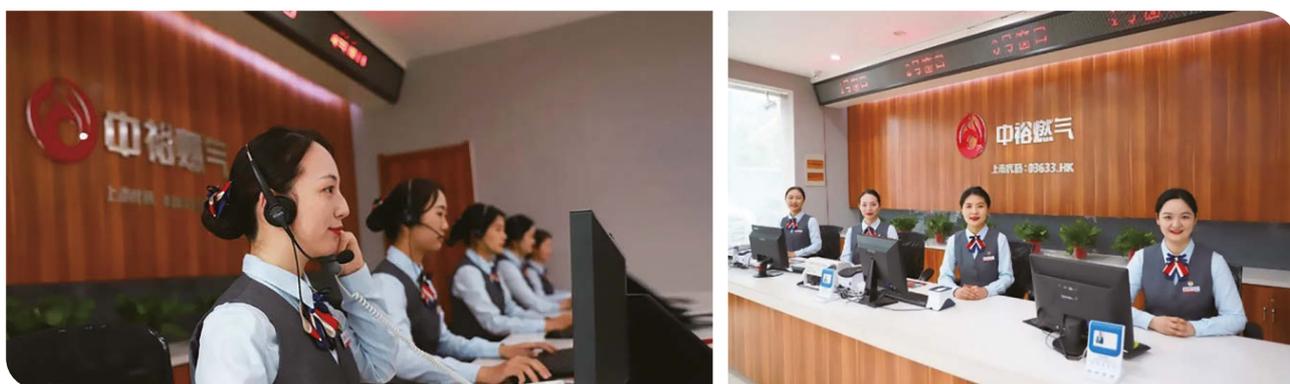


CUSTOMER SERVICE MANAGEMENT

Zhongyu Energy is committed to meeting the expectations of customers of different businesses and constantly improving the service quality of staff through the formulation of Customer Service Target Management Requirements, Complaint Management Measures, Guidelines on Rural Coal-to-Gas Customer Service Management, Customer Service Staff Etiquette Standards and other service management systems.

Having been committed to listening to customers' needs, the Group has established a rigorous customer complaint handling mechanism and the Service Supervision Call Centre, by which users can provide feedback directly through the 24-hour hotline or to the operation management department. In addition, the Group has been taking initiatives to create a healthy business environment, and through various means of online platforms (such as online communities, WeChat official account) and publicity activities, to promote the Company's image.

The Group's Service Supervision Call Centre was officially launched in July 2021. Serving as a centralised software and hardware platform with high effectiveness and stability, the call centre would provide high-quality communication interface along with accurate and thoughtful services to nearly 5.0 million customers of various types of the Group. After our customer service staff receives a user's complaint, the relevant department shall arrange dedicated personnel to handle and respond to the customer within three days. In addition, the call centre has formulated a two-closed-loop service process for consultation and complaints according to different businesses, which can provide various services such as business consultation, charging and bill installation and commissioning, emergency repair and rescue, etc. to customers by cooperating with the marketing and customer service, safety operation and engineering technology departments of each subsidiary.



The Group's Service Supervision Call Centre



SAFETY OPERATION AND QUALITY MANAGEMENT

In 2023, the Service Supervision Call Centre of the Group provided thoughtful service and online protection for 365 days a year. The Group received a total of 441 cases of complaint and request, all of which, immediately upon receipt, were transferred to dedicated staff members for handling until the completion of customer interview with time limit determined according to the degree of urgency, so as to fully ensure customer satisfaction. The content mainly involved the following three types. All departments actively handled various types of complaints and strengthened communication with customers to improve their satisfaction.

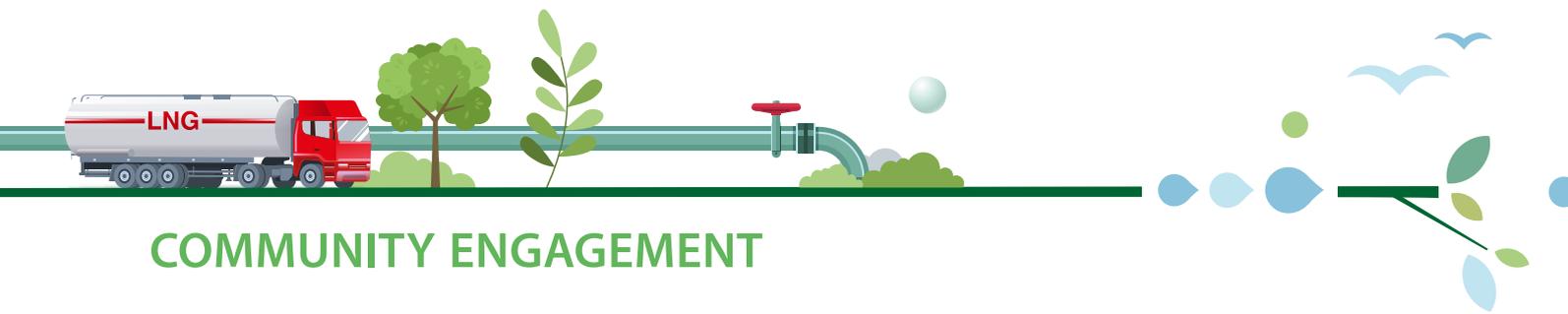
Types	Description of issues	Handling methods
 Progress of gas connection	Due to comprehensive factors, such as changing demands for appointment and coordination time and project progress, customers' long waiting time leads to complaints	Actively communicate and coordinate with competent local government authorities and users, and at the same time accelerate the construction progress of projects and publicity of customer service goals.
 Pipeline modification	The number of pipeline modifying users at township-level is relatively substantial, causing a backlog of work orders	Induce users to make appointment in advance, strengthen the management mechanism of work order timeliness, and improve the efficiency of work order distribution
 Progress of maintenance	Most of them are complaints caused by repeated reminders due to untimely repair	Strengthen training and improve the comprehensive level of on-site service personnel. Strengthen front-end user screening. Strengthen the management and control the timeliness of work order progress to track the order in a timely manner

Zhongyu Energy will continue to improve the management and functionality of the call center, establish a multi-level customer complaint handling platform, and promote the overall improvement of the Group's customer service level.

CUSTOMER PRIVACY PROTECTION

The Group values the protection of customer privacy and strictly complies with Personal Information Protection Law of the People's Republic of China to ensure that all data must be collected, held, used and handled in a legal and prudent manner.

The management of the Group's customer data is handled by the marketing department and the customer service department, which includes monitoring the document management by specified staff, and regularly reviewing the effectiveness of measures and proposing improvement plans. In order to strengthen the data management of information system, Zhongyu Energy has established management policies such as the Management Systems on Information System Security, Management Systems on Information System Requirement, Management Systems on Information System Operation and Maintenance, and Regulations on Basic Data Management and Maintenance to meet the standardised management requirements for the integrity, standardisation and timeliness of basic data. The Group also provides specific guidelines and training for employees to ensure that they understand and comply with relevant regulations and internal measures.



COMMUNITY ENGAGEMENT

Zhongyu Energy has been committed to giving to the community it serves by actively fulfilling corporate social responsibility and creating long term value for society. The Group always pays attention to the needs of all groups in society and has maintained a good and close relationship with the community. Over the years, the Group has been investing in and encouraging its employees to join public welfare activities to adhere to the mission of “developing clean energy and achieving a better life”.

In 2023, the Group actively organised public welfare activities in environmental and educational sectors to help the underprivileged in society. It participated in activities including the “99 Charity Day” charity donation, the provision of financial assistance to poor students, caring for special needs children, installing equipment for low-income users for free, helping farmers and hosting “Tree Planting Day”.

Zhongyu Energy also launches community publicity and consultation activities in multiple forms to share gas safety knowledge and raise awareness of gas safety among the wider community every year. To promote community engagement, the Group’s Customer Service Publicity Work Guidelines regulate in detail the requirements of publicity content, publicity channels and frequency for each subsidiary, aiming to regularly strengthen the awareness of the safe use of gas among residents so as to enhance the Group’s recognition among the government and the community. The Group also requires its subsidiaries to submit their service promotion plans for the next year to the customer service department on each 31st December.



Reach out to campus

The introduction of the “Safe Use of Gas on Campus” campaign helps students further grasp the basic knowledge of gas safety and encourages parents to participate hand in hand with their children. This instills the knowledge of “Safe Use of Gas” and “Scientific Protection” into every family, and allows students to become the transmitter of knowledge on safe gas use.



Environmental safety

In order to widely advocate a simple, moderate, green and low-carbon lifestyle, Zhongyu actively organises and participates in environmental protection publicity activities, such as tree planting, garbage recycling, used goods exchange and garbage collection, so that employees are induced and mobilised to actively engage in and contribute to ecological environmental protection. The Group will also organise activities such as pipeline network safety walk, household safety inspection and special investigation on potential hazards to ensure the safe operation of the Company’s pipeline network and fully protect users’ safety and stability in gas usage.



Community publicity and education

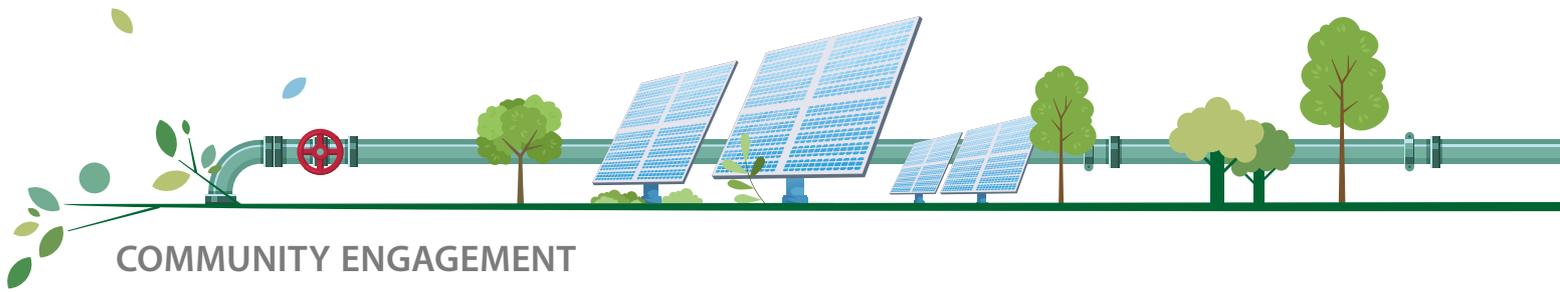
Through paying visits, distributing safety manuals, posters and banners as well as setting up safety knowledge exhibition boards, consultation counters and publicity vehicles, Zhongyu Energy spreads the knowledge of the safe use of gas among the wider users, explains cases and knowledge, and answers questions on site, thereby creating a strong atmosphere that advocates the safe use of gas.



Charitable activities

To give back to the community and actively perform social responsibilities, the Group fully regulates the approval process and plans for social activities relating to charitable donations.

The Group has established a volunteering alliance, through which it actively organises various public welfare activities such as helping the elderly, the disabled, orphans, the disadvantaged, students and children with special needs. It also expands the alliance by attracting more social caring enterprises and charitable persons to join in.



COMMUNITY ENGAGEMENT

SAFE USE OF GAS ON CAMPUS

Zhongyu Energy organised “Safe Use of Gas on Campus” activities to help teachers and students understand gas safety knowledge, and encouraged students to bring home and share gas safety knowledge.



Linyi Zhongyu Energy launched the “Safe Use of Gas on Campus” activity



Xuzhou Zhongyu Energy launched the “Safe Use of Gas on Campus” activity



Lingbao Zhongyu Gas launched the “Safe Use of Gas on Campus” activity



Xinmi Zhongyu Gas launched the “Safe Use of Gas on Campus” activity

COMMUNITY PROMOTION AND EDUCATION ACTIVITIES

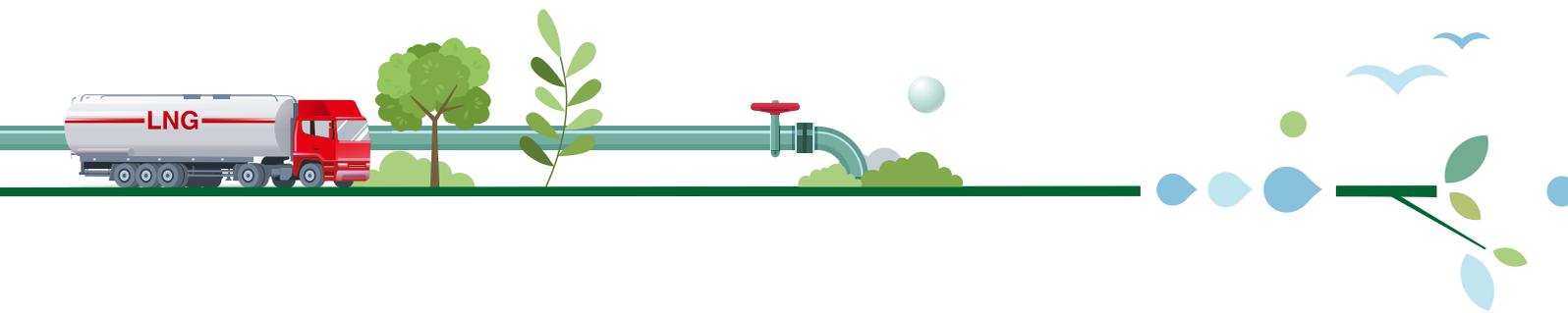
Every year, all member companies of Zhongyu Energy actively participate in the “Safe Production Month” publicity and consultation day organised by local government departments, which aims to raise the awareness of safe use of gas among users at large, establish a good corporate image and create a safe and harmonious atmosphere for public gas use. At the campaign site, all companies set up consulting service counters, safety knowledge exhibition boards and safety banners, while relevant staff promote and share safety knowledge with the public through the distribution of gas safety manuals and colourful posters, on-site explanations and Q&A sessions.



Publicity activity in the community for safe use of gas



“Safe Production Month” publicity and consultation activity



GOLDEN AUTUMN SCHOLARSHIP

Since its establishment by the subsidiary in Jiaozuo in 2006, the Caring Alliance has been cooperating with caring enterprises and persons from all sectors of society to sponsor a total of nearly 1,000 elementary, junior and high school students from disadvantaged families in the past 15 years. Many of the students have been receiving financial assistance since elementary school and nearly 200 students have enrolled in university. The Group has assisted students from underprivileged families in realizing their dreams of attending college for many years, demonstrating its commitment to charitable causes and social responsibility.

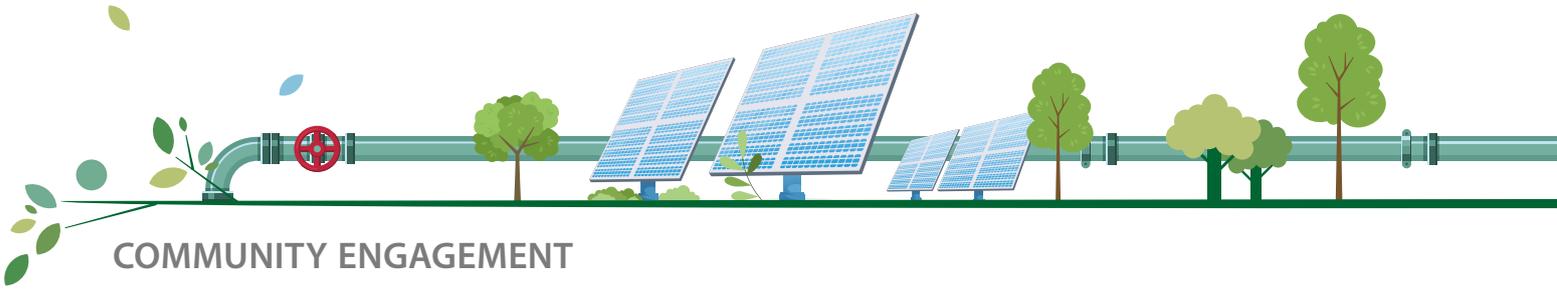
Case Study

Education Sponsorship of Puyang Zhongyu Gas

On 12th September, Puyang Zhongyu Gas attended the opening ceremony of Puyang County Kuzhi Yucai Charity School (濮陽縣苦志育才學校). The school is a public welfare boarding school offering nine-year compulsory education with complementary food, clothing, housing and education, and is specifically set up for nurturing distressed children. With strong support from the government, enterprises and public welfare organizations, the school effectively solved the problems of distressed children in Puyang relating to education, psychological well-being, life, health and safety. Following the launch of the donation campaign by Puyang Benefit from Love Education Center (濮陽市益點愛助學中心), Puyang Zhongyu Gas generously donated money to demonstrate its love and fulfill its social responsibilities and commitment with practical actions. As an outstanding private enterprise, it played a leading role in helping the distressed children to realize their dreams of going to school, in a bid to contribute to the development of the charitable causes.



Puyang Zhongyu Gas was honoured with the title of “Puyang Kuzhi Yucai Charity Project Learning Joint Construction Unit”



COMMUNITY ENGAGEMENT

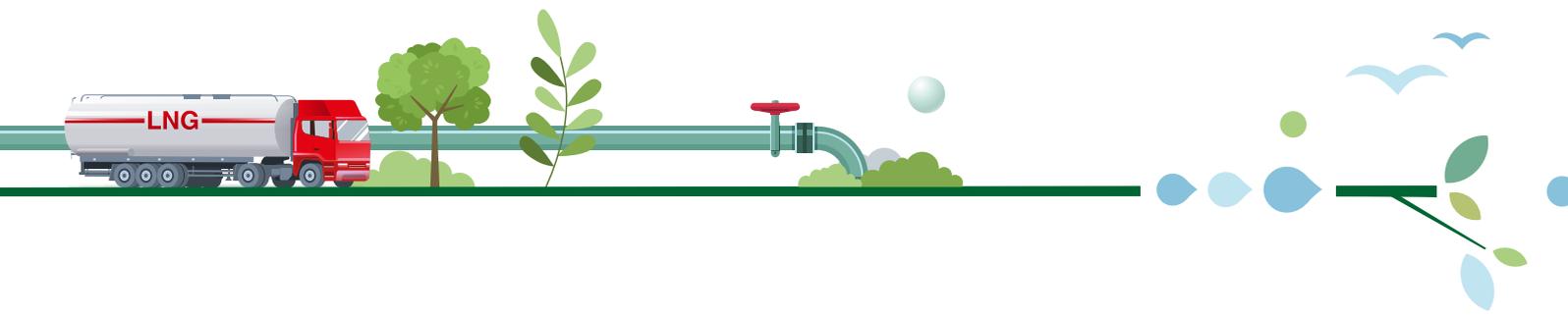
Case Study

College Dream and Golden Autumn Scholarship

On 17th August, Jiaozuo Zhongyu Gas held the “College Dream and Golden Autumn Scholarship” (圓夢大學暨金秋助學) activity, as an active response to the education-related public welfare campaign launched under the theme of “Supporting Dreams with Love – Warmth in Shanyang” (愛心助夢·情暖山陽) in Shanyang District, Jiaozuo City in 2023. During the activity, the Company organized “Gaokao” students to watch the film “30,000 Miles from Chang’an”, which inspired students’ passion for traditional Chinese culture. At the donation ceremony, scholarships and school supplies were distributed to “Gaokao” students from underprivileged families. At the seminar, the general manager of Jiaozuo Zhongyu Gas extended his warm congratulation to the students who had achieved outstanding results. He encouraged the students to study hard, become outstanding talents and make due contributions to the development of China as soon as possible. Representatives of the sponsored students made speeches at the event and expressed their gratitude for the help of Zhongyu and their determination to study hard and give back to the society as soon as possible. With these sincere exchanges, the venue was filled with a warm and touching atmosphere on that day.



Jiaozuo Zhongyu Gas organized the “College Dream and Golden Autumn Scholarship” (圓夢大學暨金秋助學) activity



CHARITY AND PUBLIC WELFARE

All member companies of Zhongyu Energy have been fulfilling their social responsibilities as utility companies through business operations for many years. They demonstrate their corporate commitments by securing safe and stable gas supply in their service territories and facilitating economic and social development. Meanwhile, Zhongyu Energy has remained relentless in promoting public welfare. All of its member companies have helped those in need and gained satisfaction by making charitable donations of money and anti-epidemic supplies, supporting farmers through consumption, participating in pair-up aid program and assisting in flood relief to spread warmth across the community. In September 2023, the subsidiaries in Luohe, Sanmenxia, Wuzhi, Puyang, Yanshi, Jiaozuo, Wen County, Yongcheng and Qinyang launched the “99 Charity Day” charity donation event.



Home visit to elderly in town



Fight against flood



“99 Charity Day” Charity Donation



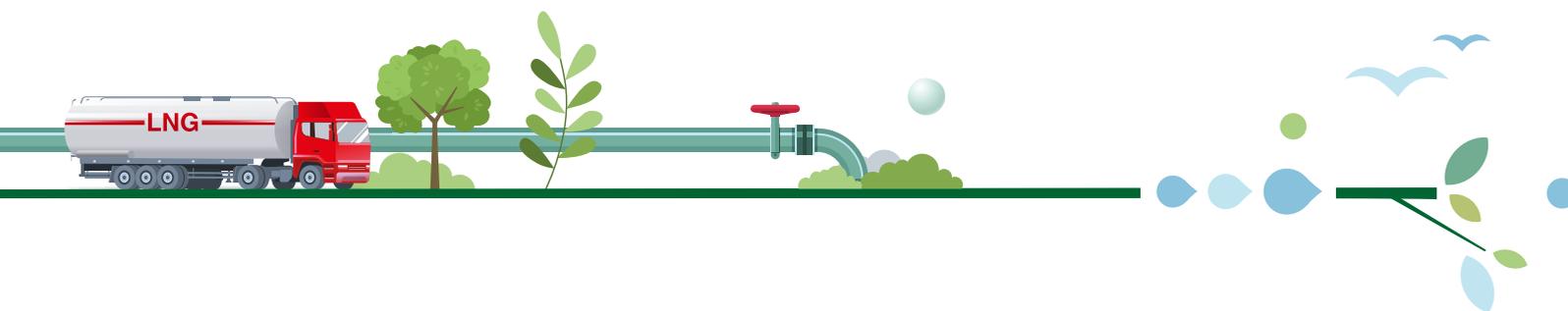
Charity events in campus



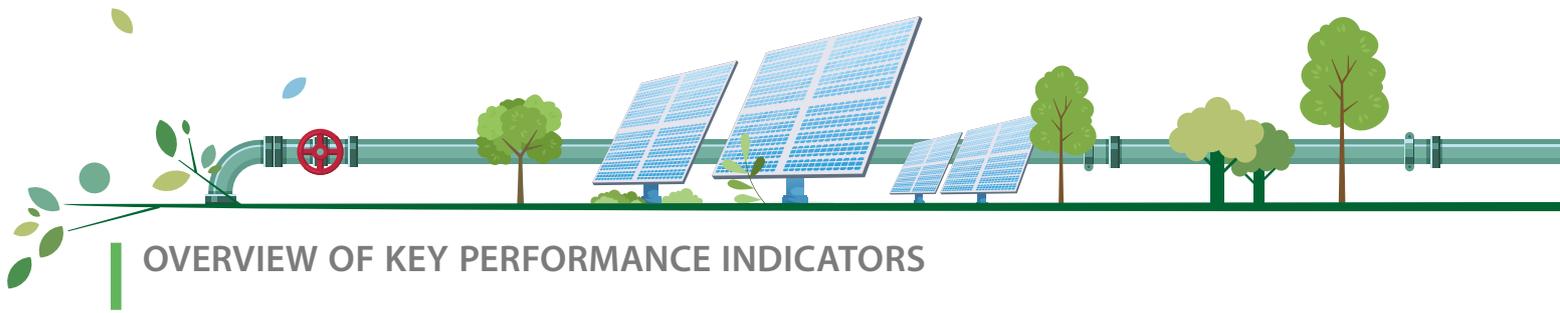
OVERVIEW OF KEY PERFORMANCE INDICATORS

ENVIRONMENTAL PERFORMANCE

Key Environmental Performance Indicators		Unit	2023	2022
Air emission & Waste Generation	Nitrogen oxides	kg	17,946.0	17,285.2
	Sulphur oxides	kg	790.7	767.3
	Particulate matter	kg	196.0	34.5
	Hazardous waste	Tonne	6.2	6.2
	Intensity of hazardous waste (in terms of the number of employees)	kg/person	1.2	1.2
	Non-hazardous waste	Tonne	127.6	161.1
	Intensity of non-hazardous waste (in terms of the number of employees)	kg/person	25.1	31.8
Energy consumption	Consumption of purchased electricity	MWh	19,748.9	19,516.8
	Gasoline	Tonne	2,276.0	1,663.7
	Diesel	Tonne	52.5	72.6
	LNG	Cubic meter	5,724,679.1	3,825,053.0
	LPG	Tonne	0	2,017.9
	Total energy consumption	GJ	394,230.9	395,181.9
	Intensity of energy consumption (in terms of the number of employees)	GJ/employee	77.5	78.0
	Intensity of energy consumption (in terms of the turnover)	GJ/HK\$'000	0.03	0.03



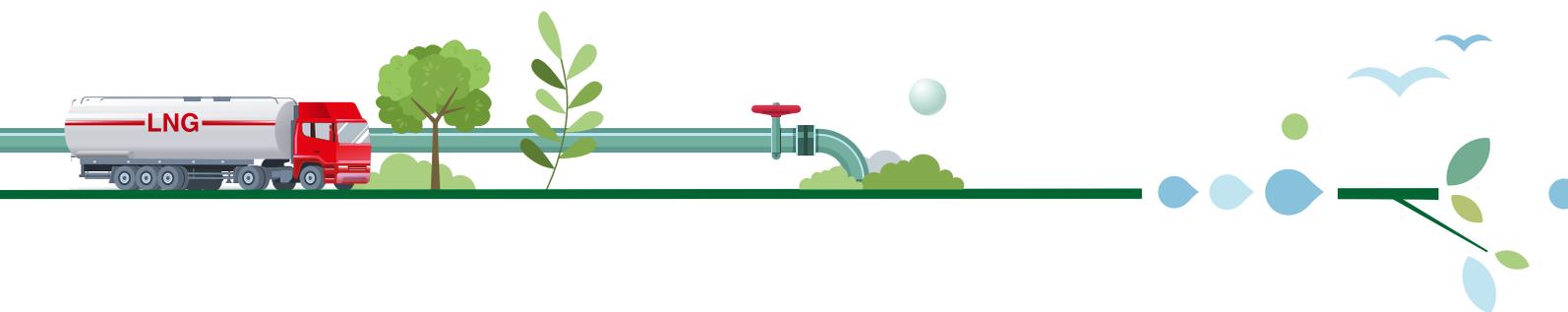
Key Environmental Performance Indicators				
Indicators	Unit	2023	2022	
Greenhouse gas emission	Direct greenhouse gas emission (scope 1)	Tonne of CO ₂ equivalent	18,218.1	18,681.3
	Energy indirect greenhouse gas emission (scope 2)	Tonne of CO ₂ equivalent	11,258.6	11,341.5
	Other indirect greenhouse gas emission (scope 3)	Tonne of CO ₂ equivalent	609.0	362
	Total greenhouse gas emission	Tonne of CO ₂ equivalent	30,085.7	30,384.8
	Greenhouse gas emission intensity (in terms of the number of employees)	Tonne of CO ₂ equivalent	5.9	6.0
	Greenhouse gas emission intensity (in terms of the turnover)	Tonne of CO ₂ equivalent/HK\$'000	0.002	0.002
	Methane emission (gas leakage)	Tonne	4,696.6	4,007.1
Utilisation of resources	Water consumption	Cubic meter	184,277.8	144,050
	Intensity of water consumption (in terms of the number of employees)	Cubic meter/person	36.2	28.4
	Paper products	Tonne	36.0	37.0
	Paper products recycled	Tonne	4.6	3.1
Environmental compliance	Cases of environmental non-compliance	Number	0	0



OVERVIEW OF KEY PERFORMANCE INDICATORS

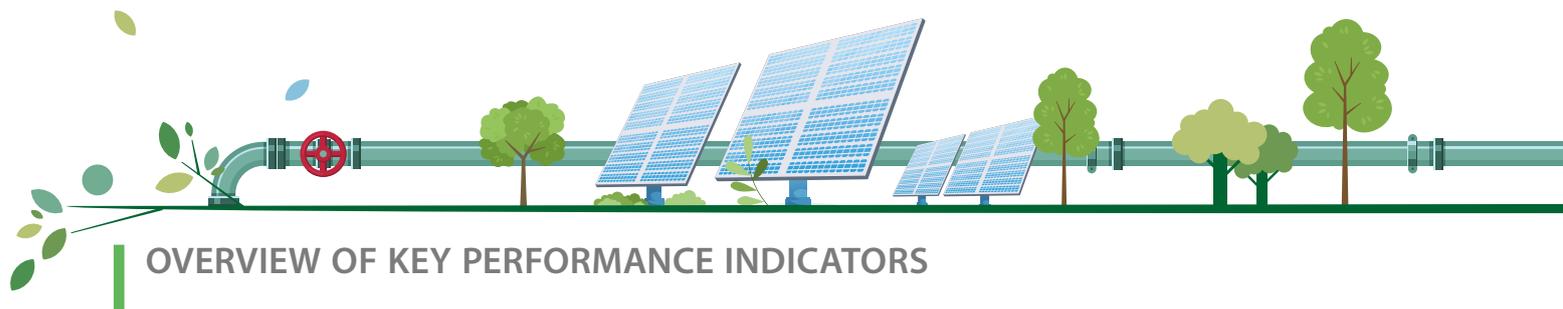
SOCIAL PERFORMANCE

Number of employees		Unit	2023	2022
Total number of employees		Person	5,087	5,067
By geographical region	Mainland China	Person	5,073	5,054
	Hong Kong, China	Person	14	13
By gender	Male	Person	3,346	3,333
	Female	Person	1,741	1,734
By employment type	Full-time employees	Person	4,803	4,780
	Part-time employees	Person	284	287
By age	30 years old and under	Person	1,285	1,335
	Between 31-40 years old	Person	2,069	1,984
	Between 41-50 years old	Person	1,213	1,188
	Over 50 years old	Person	520	560
By position level	Senior management	Person	286	291
	Middle management	Person	605	553
	General employees	Person	4,196	4,223



Employee turnover rate		Unit	2023	2022
By geographical region	Mainland China	Percentage	5.5	5.5
	Hong Kong, China	Percentage	0.0	0.0
By gender	Male	Percentage	6.3	6.3
	Female	Percentage	3.9	3.9
By age	30 years old and under	Percentage	9.0	6.9
	Between 31-40 years old	Percentage	4.4	4.5
	Between 41-50 years old	Percentage	4.0	3.5
	Over 50 years old	Percentage	4.8	9.8

Training and development		Unit	2023	2022
Total number of trained employees		Person	5,005	5,002
By gender	Number of male employees trained	Person	3,311	3,314
	Number of female employees trained	Person	1,694	1,688
By position level	Number of senior management trained	Person	284	289
	Number of middle management trained	Person	605	551
	Number of general employees trained	Person	4,116	4,162
Average training hours of employees		Hour	55.8	50.8
By gender	Average training hours of male employees	Hour	55.2	51.0
	Average training hours of female employees	Hour	57.0	50.6
By position level	Average training hours of senior management	Hour	58.2	53.1
	Average training hours of middle management	Hour	58.3	54.9
	Average training hours of general employees	Hour	55.3	50.1



OVERVIEW OF KEY PERFORMANCE INDICATORS

Training and development		Unit	2023	2022
Average employee training percentage		Percentage	98.4	98.7
By gender	Training percentage of male employees	Percentage	99.0	99.4
	Training percentage of female employees	Percentage	97.3	97.3
By position level	Training percentage of senior management	Percentage	99.6	99.3
	Training percentage of middle management	Percentage	100	99.6
	Training percentage of general employees	Percentage	98.1	98.6

Health and safety		Unit	2023	2022
Number of work-related fatalities		Person	0	0
Lost days due to work injury		Day	40	45
Occupational health and safety sick leave due to extreme weather event		Number	0	0
Employee sick leave due to extreme weather		Day	0	0

Anti-corruption		Unit	2023	2022
Number of concluded legal cases regarding corrupt practices brought against the Group during the reporting period		Case	0	0
Number of concluded legal cases regarding corrupt practices brought against the employees of the Group during the reporting period		Case	0	0
Number of management receiving training in anti-corruption, etc.		Person	280	289
Number of managerial staff receiving training in anti-corruption, etc.		Person	605	551
Number of general employees receiving training in anti-corruption, etc.		Person	300	252

Number of suppliers		Unit	2023	2022
Hong Kong		Number	5	0
Mainland China		Number	166	7067



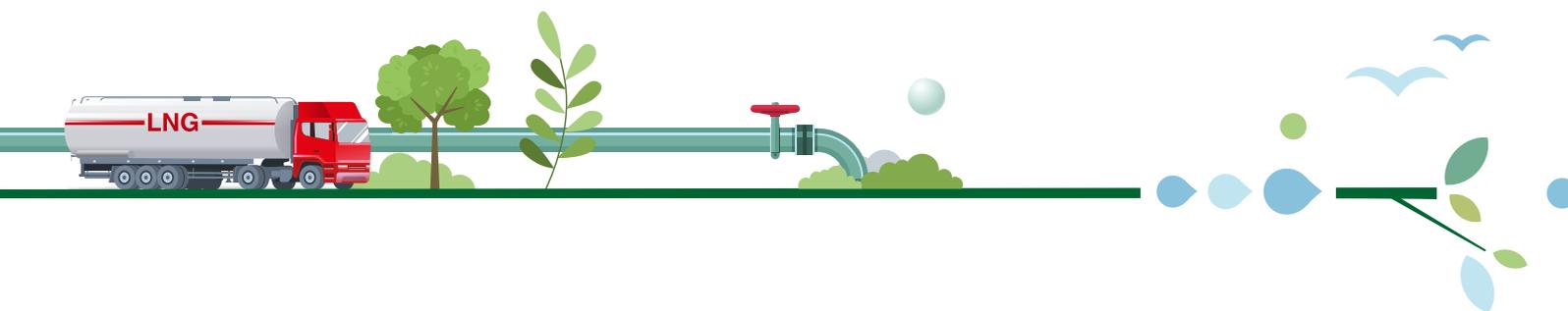
“ESG REPORTING GUIDE” CONTENT INDEX

Main Aspects	Description	Relevant Sections/ Descriptions	Page
A1 Emissions			
General Disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air pollutants and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p> <p>Note: Air emissions include nitrogen oxides, sulphur oxides, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.</p>	Climate Change, Environmental Protection	13-30
A1.1	The types of emissions and respective emissions data.	Climate Change, Environmental Protection, Overview of Key Performance Indicators	13-30, 60-71
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Climate Change, Overview of Key Performance Indicators	13-21, 60-71
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Protection, Overview of Key Performance Indicators	22-30, 60-71



“ESG REPORTING GUIDE” CONTENT INDEX

Main Aspects	Description	Relevant Sections/ Descriptions	Page
A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Protection, Overview of Key Performance Indicators	22-30, 60-71
A1.5	Description of emissions target(s) set and steps taken to achieve them.	Climate Change, Environmental Protection	13-30
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environmental Protection	22-30
A2 Utilisation of resources			
General Disclosure	Policies on the efficient use of resources including energy, water and other raw materials.	Environmental Protection	22-30
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environmental Protection, Overview of Key Performance Indicators	22-30, 60-71
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Protection, Overview of Key Performance Indicators	22-30, 60-71
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Protection	22-30
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environmental Protection	22-30
A2.5	Total packaging material used for finished products (in tonnes) and, where appropriate, with reference to per unit produced.	All products sold by Zhongyu (such as stoves) are packaged finished products purchased directly from third parties. Zhongyu's own business does not include the production and packaging of these products, nor does it separately calculate and count the quantity and weight of product packaging. This key performance indicator is therefore not applicable.	/

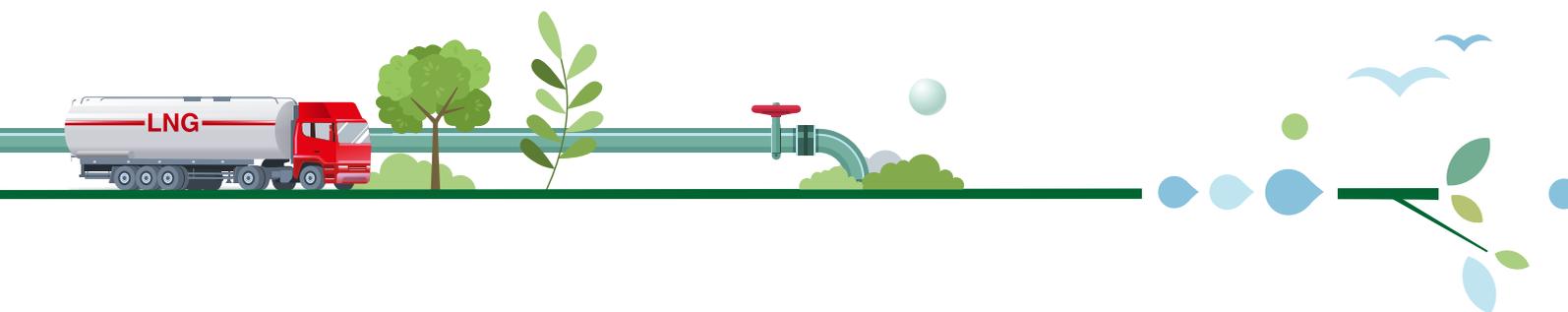


Main Aspects	Description	Relevant Sections/ Descriptions	Page
A3 Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Environmental Protection	22-30
A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them.	Environmental Protection	22-30
A4 Climate Change			
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change	13-21
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change	13-21
B1 Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	People-Oriented	31-43
B1.1	Total workforce by gender, employment type (e.g. full-time or part-time), age group and geographical region.	People-Oriented, Overview of Key Performance Indicators	31-43, 60-71
B1.2	Employee turnover rate by gender, age group and geographical region.	People-Oriented, Overview of Key Performance Indicators	31-43, 60-71



“ESG REPORTING GUIDE” CONTENT INDEX

Main Aspects	Description	Relevant Sections/ Descriptions	Page
B2 Health and safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Safety Operation and Quality Management	44-54
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Safety Operation and Quality Management, Overview of Key Performance Indicators	44-54, 60-71
B2.2	Lost days due to work injury.	Safety Operation and Quality Management, Overview of Key Performance Indicators	44-54, 60-71
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Safety Operation and Quality Management	44-54
B3 Development and training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	People-Oriented	31-43
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Overview of Key Performance Indicators All employees have received training during the Year. The percentages in terms of gender and categories of employees are shown as below: Male employees: 66% Female employees: 34% Senior management: 6% Middle management: 12% General employees: 82%	60-71
B3.2	The average training hours completed per employee by gender and employee type.	People-Oriented, Overview of Key Performance Indicators	31-43, 60-71



Main Aspects	Description	Relevant Sections/ Descriptions	Page
B4 Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	People-Oriented	31-43
B4.1	Description of measures to review employment practices to avoid child and forced labour.	People-Oriented	31-43
B4.2	Description of steps taken to eliminate such practices when discovered.	People-Oriented	31-43
B5 Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Safety Operation and Quality Management	44-54
B5.1	Number of suppliers by geographical region.	Overview of Key Performance Indicators	60-71
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Safety Operation and Quality Management	44-54
B5.3	Description of practices relating to identifying environmental and social risks along the supply chain, and how they are implemented and monitored.	Safety Operation and Quality Management	44-54
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Safety Operation and Quality Management	44-54



“ESG REPORTING GUIDE” CONTENT INDEX

Main Aspects	Description	Relevant Sections/ Descriptions	Page
B6 Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Safety Operation and Quality Management Note: As the Group's products and services do not involve extensive advertising and labelling, the Group does not have relevant policies in place.	44-54
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Safety Operation and Quality Management	44-54
B6.2	Number of products and service related complaints received and how they are dealt with.	Safety Operation and Quality Management	44-54
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Safety Operation and Quality Management	44-54
B6.4	Description of quality assurance process and recall procedures.	Safety Operation and Quality Management	44-54
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Safety Operation and Quality Management	44-54
B7 Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	People-Oriented	31-43
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	People-Oriented, Overview of Key Performance Indicators	31-43, 60-71
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	People-Oriented	31-43
B7.3	Description of anti-corruption training provided to directors and employees.	People-Oriented	31-43



Main Aspects	Description	Relevant Sections/ Descriptions	Page
B8 Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Engagement	55-59
B8.1	Focus areas of contribution (e.g. education, environmental issues, labour demand, health, culture and sports).	Community Engagement	55-59
B8.2	Resources contributed (e.g. money or time) to the focus areas.	Community Engagement	55-59



VERIFICATION STATEMENT



香港品質保證局

VERIFICATION STATEMENT

Scope and Objective

Hong Kong Quality Assurance Agency (“HKQAA”) was commissioned by Zhongyu Energy Holdings Limited, (hereinafter referred to as “Zhongyu Energy”) to undertake an independent verification for its Environmental, Social and Governance Report 2023 (hereinafter referred to as “the Report”). The scope of this verification covers the sustainability performance data and information of Zhongyu Energy during 1st January 2023 to 31st December 2023, as defined in the Report.

The aim of this verification is to provide a reasonable assurance of the reliability of the contents. The Report has been prepared in accordance with the Appendix C2 Environmental, Social and Governance Reporting Guide (“ESG Guide”) of The Stock Exchange of Hong Kong Limited (“SEHK”).

Level of Assurance and Methodology

The process applied in this verification was based on the International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board. Our evidence gathering process was designed to obtain a reasonable level of assurance as set out in the standard for the purpose of devising the verification conclusion. The extent of this verification process undertaken covered the ESG Guide of SEHK.

The verification process included verifying the systems and processes implemented for collecting, collating and reporting the sustainability performance data; reviewing relevant documentation; interviewing responsible personnel with accountability for preparing the reporting contents and verifying selected representative samples of data and information. Raw data and supporting evidence of the selected samples were thoroughly examined during the verification process according to the sampling plan.

Independence

Zhongyu Energy is responsible for the collection and presentation of the information presented in the Report. HKQAA is not involved in calculating, compiling, or developing the Report. Our verification activities are independent from Zhongyu Energy.

Conclusion

Based on the verification results and in accordance with the verification procedures undertaken, HKQAA has obtained reasonable assurance and is of the opinion that:

- The Report has been prepared in accordance with the ESG Guide of SEHK;
- The Report illustrates the sustainability performance of Zhongyu Energy, covering all material aspects, in a balanced, comparable, clear and timely manner; and
- The data and information disclosed in the Report are reliable and complete.

Nothing has come to HKQAA’s attention indicating that the selected sustainability performance information and data contained in the Report has not been prepared and presented fairly and honestly, in all material aspects, in accordance with the verification criteria. In conclusion, the Report provides clear information with regards to the sustainability performance of Zhongyu Energy in a factual, responsive, consistent, fair and truthful manner.

Signed on behalf of Hong Kong Quality Assurance Agency

Kado Zhang
Assistant Director, Business Development
March 2024

匯聚動能 向遠而行

BUILT TO LAST



中裕能源
ZHONGYU ENERGY

於開曼群島註冊成立之有限公司
INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY

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