



中國恒有源發展集團有限公司  
CHYY DEVELOPMENT GROUP LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 8128

# 2023年度環境、社會及管治報告

## CHYY DEVELOPMENT GROUP LIMITED

## 2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT





# TABLE OF CONTENTS

|           |                                      |           |
|-----------|--------------------------------------|-----------|
| <b>01</b> | About this Report                    | <b>02</b> |
| <b>02</b> | Directors' Statement                 | <b>04</b> |
| <b>03</b> | ESG Governance                       | <b>07</b> |
| <b>04</b> | Stakeholders' Participation          | <b>09</b> |
| <b>05</b> | Materiality Assessment               | <b>11</b> |
| <b>06</b> | 2023 ESG Work Summary and Highlights | <b>13</b> |
| <b>07</b> | Awards and Recognition               | <b>15</b> |
| <b>08</b> | Environmental Responsibility         | <b>17</b> |
| <b>09</b> | Social Responsibility                | <b>27</b> |
| <b>10</b> | Operation Management                 | <b>38</b> |



# 01 *About This Report*

CHYY Development Group Ltd. (the “Company”) together with its subsidiaries (the “Group” or “we”) is please to present the eighth Environmental, Social and Governance report (the “ESG Report”) for the year ended 31 December 2023. This ESG Report presents information regarding ESG management approach, strategies, goals and progress of the Group. The information disclosed in this ESG Report is collected and collated through various channels, including the Group’s internal policy documents and materials, feedback on the Group’s implementation of ESG practices, and relevant information from stakeholder surveys regarding the Group’s sustainable development practices. This ESG Report has been prepared in both Chinese and English and has been published on the website of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company’s website at [www.chyy.com.hk](http://www.chyy.com.hk). If there is any discrepancy between the Chinese and English versions, the Chinese version shall prevail.

## Scope Covered

In setting the scope of this ESG Report, we prudently choose the entities disclosed in the report in consideration of the importance of the ratio of the income of the relevant entities to the total income of the Group for 2023 and include them in the scope of the report. The reporting scope of this ESG Report covered operating entities with the total revenue accounted for over 90% of the revenue of the Group in 2023. The employee information in this report is disclosed based on the total number of employees of the Group in 2023.

## Compilation Basis

This report is prepared in accordance with the relevant provisions of the “Environmental, Social and Governance Reporting Guidelines” (“ESG Reporting Guidelines”) in Appendix C2 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange, and with consideration of the key concerns of the Company’s stakeholders and the Company’s business characteristics.



## Reporting Principles

The following basic principles are adopted during the preparation of this report:

**Materiality principle:** The Company collects feedback from various stakeholders on the Company's sustainable development concerns, interests and expectations, and conducts materiality assessments. Through the final result of the materiality matrix, relevant important ESG issues for sustainable development can be identified for us to pay attention, and the corresponding policies, measures and performance are disclosed in this report.

**Quantitative principle:** We disclosed environmental and social information in accordance with the requirements of the ESG Reporting Guidelines of the Stock Exchange, and disclosed the methods and assumptions used in this report.

**Balance Principle:** This report describes and analyses the Group's environmental, social and governance information to readers in an unbiased manner and avoids factors that may improperly affect the content of this report.

**Consistency principle:** Unless otherwise specified, the compilation method used in preparing this report is consistent with that of year 2022.

## Approval and Release

The report was approved by the board of directors and was released within April 2024.

## Feedback

If you have any comments or questions about the contents of the ESG Report, please feel free to contact us by the following means:

Address: 8/F., Chung Hing Commercial Building,  
62-63 Connaught Road Central,  
Central, Hong Kong  
Phone: 852-37539800  
Email: [info@chyy.com.hk](mailto:info@chyy.com.hk)





# 02 *Directors' Statement*

Dear Shareholders and Stakeholders,

CHYY Development Group Limited is a Hong Kong listed company mainly engaged in the development and utilisation of shallow geothermal energy as an alternative energy for buildings' heating (cooling). After more than 20 years of engineering model exploration before the epidemic, the Group has collected geothermal energy according to local conditions and provided matching heating heat pump units to ensure that geothermal heat pumps provide combustion-free heating in northern winter. During the epidemic, the Group has improved and standardized low-temperature geothermal energy collection systems and geothermal heat pump environmental systems with complete sets of equipment of various specifications. Based on Ever Source Science and Technology, a wholly-owned subsidiary in Beijing, the northern winter geothermal heat pump non-combustion heating operation and maintenance center for the integrated heating and cooling industry has been established to support the mainland services. According to the mid- and long-term regional plan for geothermal heat pump non-combustion heating in northern winter formulated with government support, and in cooperation with regional key enterprises, we have gradually realized the in-depth upgrade of the northern winter heating industry from the traditional combustion heating industry to geothermal heat pump non-combustion heating after the epidemic, ensuring that residents can have a warm winter that meets national standard heating temperatures under the harshest climate conditions. Under the "Carbon Peaking and Carbon Neutrality" goals, the Group has achieved the heating cost of coal-fired heating, half of the fossil energy consumption of traditional combustion heating methods, and guaranteed 100% of the original heating area.



The low-temperature geothermal energy of geothermal heat pump non-combustion heating in northern winter comes from the joint action of the sun and the earth's core, and is stored in the earth with a certain temperature in a certain depth. The Group has collected a wide range of geothermal energy that are less than three feet deep in an environmentally friendly manner based on local conditions, and provided geothermal energy to heating heat pump units to transport low-temperature heat to maintain an ambient temperature of around 20 degrees that is suitable for the human body, which is normally no higher than 37 degrees.

The Group is committed to developing the clean energy business, with the goal of replacing the burning of fossil energy at a cost no higher than that of traditional energy, so as to achieve the electric energy that can stably guarantee people's comfortable life, the survival and growth of animals and plants under the harshest conditions, and the appropriate temperature required by the suitable environmental space. We are a clean energy system integration service provider, providing matching environmental system design solutions and complete sets of products for different climate regions of building.

The Company has spent more than 20 years to achieve success in ground energy heat pump environmental system application projects in most geological regions and various climate and temperature regions of building. Both theory and practice have proven:

By environmentally friendly and efficient collection of low-temperature heat energy from a wide range of areas below three feet of ice, we have solved the problem of transporting low-temperature heat energy through heat pumps, realising the use of one degree of electric energy to drive the heat pump to transfer the heat energy equivalent to the direct heating of four degrees of electric energy with no combustion and zero emissions, and ensuring that the heating temperature standards required by the country can be stably reached under the harshest climate conditions.



Clean heating is a revolution in energy production and consumption and a revolution in rural lifestyles. It is a practice in the new era that effectively improves the quality of life of people while pursuing the harmonious coexistence between human and nature. Intelligent heating further promotes the vigorous development of emerging industries integrating heating and cooling, and serves our communities in a more environmentally friendly and efficient way, blazing a new path to control smog, and ushering in a new era of heating energy.

We believe that in the future, we will definitely see shallow low-temperature geothermal energy clean heating with comparable grade and corresponding temperature. This technology is mature and the cost is no higher than traditional energy combustion heating, with energy consumption accounting for approximately 10% of the total heating energy consumption in China, contributing to carbon neutrality and carbon peaking.

徐生恒

**Chairman**





# 03 *ESG Governance*

## Statement of the Board of Directors

As a responsible company, the Group makes every effort to meet the challenges of sustainable development, using its influence to further promote various sustainable development agendas, which cover our environmental and social issues. In terms of environmental, social and governance performance, we believe that a sound governance structure is essential. In order to practice effective management, we have established a comprehensive management system throughout our business to manage and respond to sustainable development risks and opportunities. The Board has overall responsibility for the management of the Group's ESG, and they review ESG performance annually by formulating ESG policies and indicators. In order to strengthen our daily management and practice, we have established an ESG working team to identify the Group's important issues in the environmental and social aspects through communication with stakeholders, and analyze and evaluate the results to assist us in formulating and supervising the relevant systems and measures. All departments are cooperated in the implementation of various systems and indicators in the daily operations.





## ESG Governance Framework

### Board of Directors

Oversee and monitor the Group's sustainable development strategy, management approach and performance.

Regularly discuss and review the Group's ESG risks and opportunities, performance and progress.

### ESG Working Team

Assist in the formulation and review of the Group's sustainable development goals, priorities and indicators.

Assist in formulating policies and measures to promote goals and targets.

Monitor, review and evaluate ESG-related policies and practices.

Evaluate the progress and performance of the Company's ESG work and improve its effectiveness.

Report ESG performance to the Board.

### Management

Implement the Company's environmental, social and governance measures in the departments' day-to-day operations.

Promote environmental, social and governance awareness in the departmental management.





# 04 Stakeholders' Participation

The Company believes that the basic premise of the environmental, social and governance report is that the reported information is relevant and important to its stakeholders. Therefore, it has been actively seeking opportunities to communicate with internal and external stakeholders and strive for the continuous cooperative dialogue. Through the following different communication channels, continuous multidirectional and candid communication with stakeholders is maintained so as to understand their key concerns about ESG issues. The Company will continue to ensure effective communication and maintain a good relationship with each stakeholder.

| Stakeholders  | Key concerns   | Communication channels   |
|---|--|--|
| <p><b>Government and regulatory departments</b></p> | <ul style="list-style-type: none"> <li>- Compliance of rules and regulations</li> <li>- Support the country's development policies in the industry sector</li> <li>- Innovative development</li> </ul> | <ul style="list-style-type: none"> <li>- Participate in government meetings and receive policy documents</li> <li>- Participate in the declaration of government-supported project, etc.</li> <li>- Expert forum</li> <li>- Accept supervision and inspection of government departments at all levels</li> </ul> |
| <p><b>Investors/ Shareholders</b></p>               | <ul style="list-style-type: none"> <li>- Return on investment</li> <li>- Corporate governance</li> <li>- Business development</li> </ul>   | <ul style="list-style-type: none"> <li>- Shareholders' meetings, HKEX announcement</li> <li>- the Company's financial report, annual report, ESG Report etc.</li> </ul>  |



| Stakeholders        | Key concerns  | Communication channels  |
|---------------------|---|---|
| <b>Employees</b>    | <ul style="list-style-type: none"> <li>- Employee rights and benefits</li> <li>- Training and development</li> <li>- Occupational health and safety</li> </ul>  | <ul style="list-style-type: none"> <li>- Staff Union, staff handbook</li> <li>- Performance appraisal mechanism</li> <li>- Various forms of training and promotion methods</li> <li>- Caring for employee health</li> </ul>         |
| <b>Customers</b>    | <ul style="list-style-type: none"> <li>- Product quality and benefit</li> <li>- Customer benefit protection</li> <li>- Product stability, product maintenance and its timeliness</li> </ul>                   | <ul style="list-style-type: none"> <li>- Pre-sales, sales, after-sale services</li> <li>- Customer Service Center, 24-hour hotline, follow-up visits</li> <li>- Spring and Autumn maintenance, satisfaction survey, etc.</li> </ul> |
| <b>Suppliers</b>    | <ul style="list-style-type: none"> <li>- Fair and open procurement</li> <li>- Win-win cooperation</li> <li>- Protection of intellectual property rights</li> <li>- Ability to execute the contract</li> </ul> | <ul style="list-style-type: none"> <li>- Procurement by price comparison</li> <li>- Select qualified suppliers</li> <li>- Suppliers evaluation</li> <li>- Contract negotiation</li> </ul>   |
| <b>Constructors</b> | <ul style="list-style-type: none"> <li>- Work safety</li> </ul>   | <ul style="list-style-type: none"> <li>- Contracting, safety agreements, regular inspection etc.</li> </ul>   |





# 05 *Materiality Assessment*

In order to identify the issues that stakeholders are most concerned about and allow stakeholders to give their opinions on our sustainability performance, we conducted a materiality assessment in the form of a questionnaire survey, and invited internal and external stakeholders to give opinion on the importance of ESG issues to the stakeholders and the operation of the Group. These important or related issues will be varied to the changes in the business environment and stakeholder expectations; hence we regularly understand demands from various stakeholders through a variety of channels such as special questionnaires to identify ESG issues that are important to both the Company and stakeholders in the current business environment.

The following is our detailed procedure for determining material issues and report content:

## Step one: Identification

To review ESG issues, and list a range of potential ESG-related issues based on the social and economic environment, the importance of each issue to the industry in which the Company operates and the opinions of various departments within the Company.

## Step two: Assessment

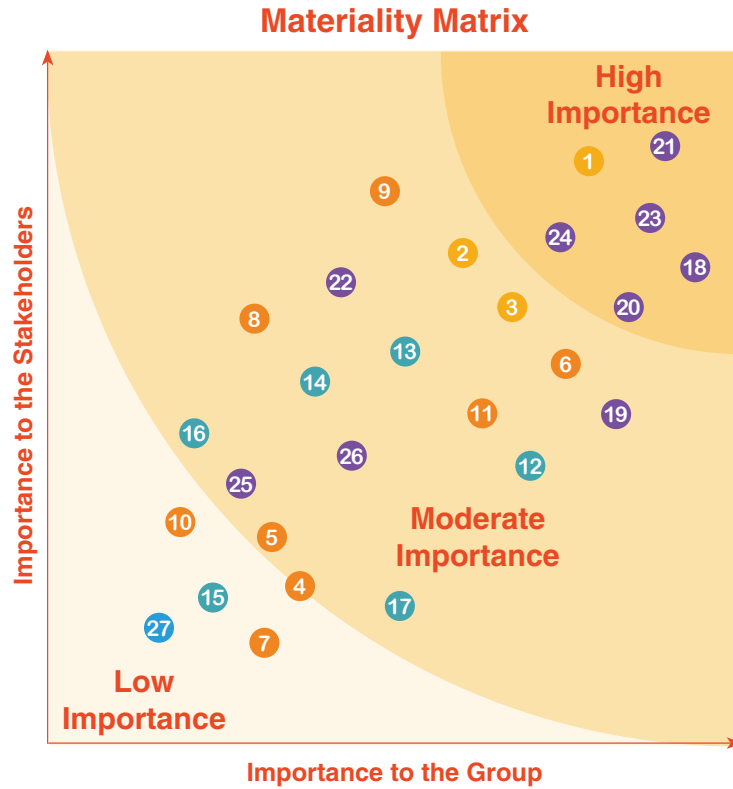
To collect the opinions of internal and external stakeholders on the materiality of each issue, and understand the impact of each issue on the stakeholders themselves, and the materiality of each issue to the sustainable development of the Group.

## Step three: Confirmation

To comprehensively consider the stakeholders' survey results and analysis by ESG working team to identify material ESG issues, and confirm with the Group's senior management to ensure that the assessment results are in line with the characteristics of and development status on the business of the Group for the formulation of action plans to make the ESG management work to be more effective.



This year, the Group collected and analyzed the feedback from stakeholders and listed them in the following materiality matrix to reflect their importance.



| Corporate Governance  | Employment   | Environmental   | Operation  | Community   |
|---|--|---|--|---|
| <ul style="list-style-type: none"> <li>1 Company operation and financial status</li> <li>2 Corporate governance mechanism</li> <li>3 Sustainable development vision and strategy</li> </ul> | <ul style="list-style-type: none"> <li>4 Diversity and equal employment opportunity</li> <li>5 Employment relationship and staff communication</li> <li>6 Occupational safety and health</li> <li>7 Staff training and development</li> <li>8 Talented person retention</li> <li>9 Staff salary</li> <li>10 Staff welfare/recreational activity</li> <li>11 Employment compliance</li> </ul> | <ul style="list-style-type: none"> <li>12 Emissions (including sewage, greenhouse gases, waste gas)</li> <li>13 Hazardous and non-hazardous waste treatment</li> <li>14 Saving energy and water</li> <li>15 Climate change</li> <li>16 Environmental protection compliance</li> <li>17 Environmental protection policy</li> </ul> | <ul style="list-style-type: none"> <li>18 Supplier management</li> <li>19 Anti-corruption</li> <li>20 Disaster contingency plans</li> <li>21 Quality and safety of the products</li> <li>22 Product development and innovation</li> <li>23 After-sale service</li> <li>24 Customers' opinion and complaints</li> <li>25 Trademarks and patented technologies</li> <li>26 Protect customers' private information</li> </ul> | <ul style="list-style-type: none"> <li>27 Participate in public welfare activities</li> </ul> |



# 06 *2023 ESG Work Summary and Highlights*

- In 2023, 39 projects of heat pump heating operation were undertaken by the Company, involving a construction area of 1.74 million square meters. Such clean heating reduced annual carbon dioxide emissions by approximately 53,000 tons.
- The Company's key project in 2023, the Clean Heating and Cooling Project by Geothermal Heat Pump for Siji Chuanqi Medical Park (四季傳奇醫物園) was into operation, expanding the application of the Group's proprietary technology in the elderly care sector.
- The Group's main subsidiaries, Ever Source Science & Technology Development Group Co., Ltd.\* (恒有源科技發展集團有限公司), Beijing Ever Source Environmental System Installation Limited\* (北京恒有源環境系統設備安裝工程有限公司) and Ever Source Ground Energy Heating and Cooling Technology Service Co., Ltd.\* (恒有源地能熱冷技術服務有限公司) completed the renewal of ISO9001 (Quality Management System), ISO14001 (Environmental Management System) and ISO45001 (Occupational Health and Safety Management System Certification) certifications. Ever Source Science & Technology Development Group Co., Ltd.\* (恒有源科技發展集團有限公司) renewed its Grade 5A clean heat supply service certification.
- On 1 December 2023, the standard for Heat Pump Units proposed and participated in the formulation by Ever Source Science & Technology Development Group Co., Ltd.\* (恒有源科技發展集團有限公司) Development Group was officially released. The implementation of the standards will promote the healthy development of heat pumps in the Northern China, promote the use of clean energy, reduce carbon emissions, and also highlight the It shows The HYY Group's leading role in the development of clean heating industry.



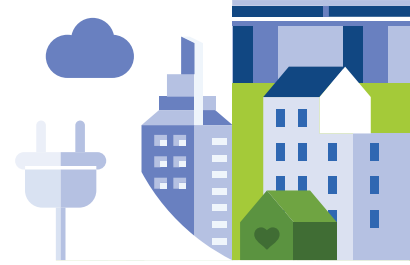
## ESG TARGETS FOR 2024

- Strive to reduce GHG emissions (Scope 1 and 2) by 2% for 2024 versus 2023.
- Strive to reduce electricity consumption by 3% for 2024 versus 2023.
- Strive to reduce water consumption by 2% for 2024 versus 2023.
- Strive to reduce gasoline consumption by 2% for 2024 versus 2023.
- In 2024, strengthening the waste paper recycling with a recycling rate of over 85%.

## ACTIONS FOR THE GOALS

- Fully implement the new standard GB55015-2021 issued by the Country on the “General Specification for Building Energy Conservation and Renewable Energy Utilization”: The total installed capacity of the unit is directly selected based on the air- conditioning cooling load value calculated according to the regulations, and must not be added otherwise to avoiding situation of big horse pulling small cart.
- Application of climate compensation and energy-saving measures in 2024: accelerate the application of the theoretical results of “climate compensation” in actual operation management, make full use of weather forecast information, and adjust operating parameters at any time according to climate changes, so as to maximize the energy efficiency of machinery units resulting in the saving of energy and reduction of energy consumption.
- Using energy-saving appliances and products. Strictly control the temperature of air conditioners used in offices to be set at not higher than 20 degrees in winter and not less than 26 degrees in summer. Encourage to open windows and use natural wind instead of using air conditioners. Turn off the power in time after work.
- Strengthen the inspection of the Company’s water and electricity facilities to prevent leakage and irrational use. Strengthen the employees’ awareness of energy saving and environmental protection.
- Turn off the power of electronic equipment in the office after work every day.
- Purchase electronic products and office equipment that meet energy saving specifications.



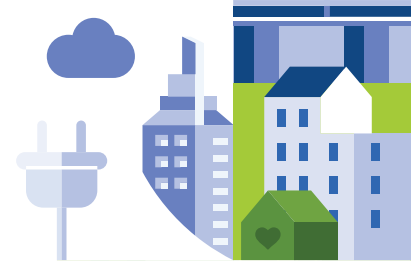


# 07 Awards and Recognition









# 08 *Environmental Responsibility*

## Green Enterprises

As a member of green enterprise, the Group is responsible for environmental protection and focuses on promotion of shallow geothermal energy as an alternative energy source for heating (cooling), using renewable shallow geothermal energy to achieve zero combustion and emissions in the heating area, and efficiently reduce emissions generated from heating by traditional coal burning or from direct electric heating. We have committed to promoting this environmental protection business, advocating clean heating to effectively reduce pollution, solve haze problem, create blue sky, and achieve rational and effective use of energy. We have been working towards these goals to contribute to a healthier planet and a better living standard of people.

Up to now, the Group has promoted heating and cooling projects with renewable energy covering a total area of 21.47 million square meters, including central heating and cooling projects of 19.18 million square meters and household geothermal energy heating and cooling projects of 1.16 million square meters (11,466 households) and household air energy heating projects of 1.13 million square meters (9,360 households). The projects promoted can achieve an annual energy saving of 157,600 tons of standard coal, a replacement of conventional heating energy of 263,700 tons of standard coal. The annual reduction of carbon dioxide emission of 652,400 tons by clean heating. At present, 39 projects of heat pump heating operation are undertaken by the Company, involving a construction area of 1.74 million square meters, which can achieve annual carbon dioxide emissions by approximately 53,000 tons.

As a company dedicated to promoting clean heating for buildings by utilization of clean energy to replace traditional heating energy with pollution and emission, we will continue to make use of our strengths and use innovative thinking to play a role in our industry. In 2024, we will implement the following measures and solutions during our operations which will further strengthen the effect of energy-saving in our operation, thereby reducing various emissions caused by the heating (cooling) process.



## Measures of Emissions Reduction

### **1. Increase control over pumps operation quantity, to reduce system energy consumption**

In 2024, we plan to renovate the operating projects of the Company by installing a pump operation quantity control system. The system will automatically adjust the number of running pumps according to the demand of users for cooling and heating to match the actual needs of users, so as to reduce the number of running pumps and its power consumption, and achieve the effect of energy saving and emission reduction.

### **2. Strictly implement the relevant environmental protection regulations and increase the application of environmentally friendly refrigerant units**

In 2024, we will adopt environmentally friendly refrigerant units for new contract projects, replace restricted refrigerant units with environmentally friendly refrigerant units in unit renewal projects, and gradually replace all restricted refrigerant units while reducing the use of restricted refrigerant.

### **3. Green construction**

In terms of project construction, the construction process is required to be carried out in strict accordance with the “Regulations on the Administration of Environmental Protection of Construction Projects”, “Evaluation Standards for Green Construction Engineering”, “Guidelines for Green Construction”, “Environmental Dust Emission Standards for Construction Sites”, “Environmental and Hygiene Standards for Construction Sites”, etc. It is required to strictly abide by the relevant construction regulations and standard requirements during the construction process. Regular work meeting on “civilized construction and environmental protection” will be held and the environmental protection management and inspection measures for construction site will be implemented, and strictly treats various emissions to reduce the impact on the surrounding environment. At the same time, the Group’s environmental protection policies, objectives and indicators are formulated to achieve harmony between construction and the environment, and to meet the requirements of environmental management standards.



Table 1 below mainly describes the various emission and waste control measures taken during construction, with the purpose of minimizing the impact on the environment during the construction process.

**Table 1: Preventive and control measures taken during the construction process**

| Type            | Emission Source      | Name of pollutants            | Preventive measures   |
|-----------------|----------------------|-------------------------------|---|
| Air pollutant   | Construction period  | Flying dust                   | The main roads on the construction site will be hardened. Cover the exposed parts, spray water on the roads of the construction area to reduce dust, and it is strictly forbidden to temporarily and randomly abandon the earth and mud.<br>Enclosed transportation vehicles engaged in the transportation of earth and mud. Transportation vehicles shall be cleaned up at the exit of the project site.<br>For the drilling and engineering work, special equipment for wellhead spraying and dust reduction is added, and dust reduction devices such as fog cannons are installed in the field. |
|                 | Construction period  | Carbon dioxide, nitrous oxide | Use electric construction tools, not use fuel facilities as possible as it could to avoid pollutant discharge; when fuel oil equipment cannot be avoided, adopt low-emission equipment which meets requirements of environmental protection.  |
|                 | Commissioning period | Hydro-fluorocarbons           | Apply cooling medium with low global warming potential (GWP); all cooling medium shall be filled before the equipment delivery out of the factory to avoid leakage in filling operation on construction site.   |
| Noise pollution | Construction period  |                               | Provide training to construction personnel for civilized construction and strengthen the management of manmade noise.<br>Strictly control the noise when using the equipment. During construction, it is necessary to carry out operations in accordance with construction operation noise control measures, and try to avoid carrying out construction work at night.  |
|                 | Operation period     |                               | Sound absorption and noise reduction operation is carried out for equipment room, also protective tools such as earplugs are equipped for the equipment room staffs.  |



| Type            | Emission Source                           | Name of pollutants                      | Preventive measures   |
|-----------------|---|---|---|
| Water pollutant | Construction period<br>Domestic sewage    | CODCr<br>BOD5<br>SS<br>Ammonia nitrogen | The site is equipped with secondary sedimentation tanks and other facilities to treat sewage and it is discharged to the municipal sewage pipe network through compliant sewage discharge facilities after treatment.   |
|                 | Construction period<br>Washing wastewater | SS                                      | Disallow external discharge, set up temporary sedimentation tank, re-use it for reducing dust and suppressing dust after treatment.   |
| Solid waste     | Construction Period Solid waste           | Construction solid waste                | Classify solid waste for stacking and authorize qualified disposal unit to gather and dispose the solid wastes on the basis of classification, not abandon them randomly. Hazardous solid waste is classified and sealed storage, and entrusted to the sanitation department for unified treatment. Strengthen the recycling of construction waste. |
|                 |   | Waste mud                               | Set up mud pit, periodically hand the waste mud to environmental sanitation department for clearing. Reasonably dispose it rather than abandon it randomly.   |
|                 |   | Domestic garbage                        | Gather domestic garbage on the basis of classification, hand them to environmental sanitation department for treatment, reasonably dispose it rather than abandon it randomly.  |
| Noise           | Construction machinery and equipment      |   | Reasonably plan construction time, formulate construction plan, select low-noise equipment and implement operation in a closed environment.   |

In the course of our operations, we generate certain direct or indirect air emissions. Direct air emissions mainly come from diesel fuel used for generators and drilling rigs in the construction process and refrigerants used in the maintenance services projects. Most of the refrigerants we used are environmentally friendly models, and the use of non-environmentally friendly refrigerants is mainly for provision of maintenance services to some customers whose equipment in use is still old models which cannot use environmentally friendly refrigerants. Therefore, when we contact these customers, we will also make suggestions and encourage the replacement of environmentally friendly equipment.



## Green Office

The main resources consumed by the Group's daily office operations are electricity, water, gasoline, natural gas, paper, etc. The Group has been focusing on the environmental issues and committed to operate in a more environmentally friendly and energy-saving manner, advocating the 6R principles of environmental protection:

- 1) Reduce
- 2) Reuse
- 3) Recycle
- 4) Replace
- 5) Repair
- 6) Refuse

The Group continues to encourage and promote different measures to achieve energy conservation, recycling and reducing waste, including:

- Reduce the standby time of office electronic and electrical equipment, and encourage the shutdown of electronic equipment that not in use for a long time.
- In terms of lighting, lighting will be used according to the actual situation and it is required to turn off the lights when people leave to avoid lighting permanently be switched on with no people inside.
- Sort and dispose of recyclable items.
- Purchase energy-saving certified products and gradually phase out equipment and products with low energy efficiency grades and replace them with energy-saving type.
- Encourage the rational use of air conditioners according to actual weather conditions to avoid setting the temperature to be too low or too high, which will cause waste of energy. Encourage to open windows and use natural wind instead of using air conditioners when the weather is not hot.
- Save paper and reduce printing and use double-sided printing as much as possible, reuse paper with single-sided printing.
- Educate employees on the knowledge of water conservation to improve water conservation awareness, and ensure that the tap is closed when not in use. The Company uses water-saving appliances and promptly repairs leaks to prevent waste.
- Use durable tableware and try to avoid using disposable tableware.
- Try to repair damaged electrical appliances or items and reduce discarding.
- Encourage employees to use public transportation when commuting.
- Trees are planted in the office park, and encourage employees to plant small potted plants indoors, which can help reduce emissions and improve air quality.



## A1. Emissions

In 2023, the air pollutants A1.1 (including sulfur oxides (“SOx”), nitrogen oxides (“NOx”) and particulate matter (“PM”) generated by the Group mainly come from the natural gas used by the Company’s canteen and the gasoline for business vehicles. Specifically, the Group’s emissions of SOx, NOx and PM were approximately 320 kg, 320 kg and 160 kg respectively. The significant increase in the indicators of SOx, NOx and PM as compared to 2022 is that in 2023, our Company gradually got rid of the impact of the epidemic and our employees gradually returned to work. Therefore, the natural gas used by the Company’s canteen and the gasoline for business vehicles was lower than that in 2022.

In 2023, the Group’s greenhouse gas emissions A1.2 mainly come from fossil fuel combustion and electricity consumption. The total greenhouse gas emissions of Scope 1 (direct emissions) and Scope 2 (indirect energy emissions) are approximately 35 metric tons of carbon dioxide equivalent and 748 metric tons of carbon dioxide equivalent, respectively, lower than that of 2022. The Group’s total greenhouse gas emissions are approximately 753 metric tons of carbon dioxide equivalents, and the emission intensity per thousand Hong Kong dollars in revenue was approximately 0.007 metric tons of carbon dioxide equivalents. In addition, no significant amount of hazardous waste was recorded during the year under review.

The total emissions of the Group in 2023 are summarized in Table 2 below.

**Table 2: Information about the emissions by the Group**

|  | Unit                        | 2023 | 2022  |
|--|-----------------------------|------|-------|
| <b>A1.1 Exhaust emissions</b>                        |                             |      |       |
| NOx  | Kg                          | 320  | 390   |
| SOx  | Kg                          | 320  | 390   |
| PM   | Kg                          | 160  | 200   |
| <b>A1.2 Greenhouse gas emissions</b>                 |                             |      |       |
| Scope 1 (Diesel, natural gas, gasoline, refrigerant) | Tonnes of CO <sub>2</sub> e | 35   | 48.35 |
| Scope 2 (Electricity)                                | Tonnes of CO <sub>2</sub> e | 748  | 759   |

The reporting of the above data in relation to the emissions and greenhouse gas emissions are mainly based on the Appendix II: Reporting Guidance on Environmental KPIs of How to Prepare an ESG Report issued by the Stock Exchange.



### The Group's Emissions Reduction Results in 2023:

The decreased greenhouse gas emissions caused by carbon dioxide in A1.2 greenhouse gas emissions in 2023 as compared to the same period of 2022 was due to the reduction of diesel-powered drilling machines in 2022 for the construction of geothermal energy collection systems, and accordingly the corresponding reduction in emissions.

The Group's hazardous waste A1.3 and non-hazardous waste A1.4 produced in 2023 are summarized in Table 3 below.

**Table 3**

| Type                                     |           | Unit               | 2023    | 2022    |
|--|-----------|--------------------|---------|---------|
| <b>A1.3 Hazardous waste produced</b>     |           |                    |         |         |
| Batteries                                |           | Pcs.               | 50      | 30      |
| Fluorescent Tubes                        |           | Pcs.               | 40      | 11      |
| Toner Cartridges<br>(Recycled)           |           | Pcs.               | 12      | 7       |
| <b>A1.4 Non-hazardous waste produced</b> |           |                    |         |         |
| General Solid Waste<br>(Landfilled)      | Total     | Tonnes             | 26      | 26      |
|  | Intensity | Tonnes/HK\$        | 0.0001  | 0.0001  |
| Paper                                    | Total     | Kg                 | 1,787.5 | 1,787.5 |
|  | Intensity | Kg/HK\$'000 income | 0.015   | 0.015   |

### A2. Use of Resources

In 2023, the major resources consumed by the Group are electricity, gasoline, diesel, water and paper. In view of the nature of its business, the Group did not use much of the packaging materials during the year under review. In order to effectively manage its resources consumption, the Group has assessed the long-term sustainability of its energy and other resource consumption practices, strives to select solutions that can minimize its impact on the environment to a greater extent, and continues to promote energy-saving habits and measures.





### Use of resources by the Group in 2022:

The steps taken by the Group to achieve its objectives:

Step 1: Identify the pathways and principles of waste generation;

Step 2: Develop effective measures to reduce waste emission control and reduction;

Step 3: Increase publicity, provide employees with awareness education and training on control methods;

Step 4: Analyze the results and find improvement methods.

The Group's direct and indirect energy consumption in 2023 are summarized in Table 4 below.

**Table 4: Information about the use of resources by the Group in 2022**

| Type   |           | Unit                            | 2023    | 2022    |
|--|-----------|---------------------------------|---------|---------|
| <b>A2.1 Direct and Indirect Energy Consumption by Type</b> |           |                                 |         |         |
| Diesel   | Total     | Liter                           | 7,233   | 10,993  |
|  | Intensity | Liter/HK\$'000 income           | 0.107   | 0.092   |
| Gasoline   | Total     | Liter                           | 6,046   | 4,961   |
|  | Intensity | Liter/HK\$'000 income           | 0.089   | 0.042   |
| Natural gas  | Total     | M <sup>3</sup>                  | 1,212   | 1,818   |
|  | Intensity | M <sup>3</sup> /HK\$'000 income | 0.018   | 0.152   |
| Total Indirect Energy Consumption (Purchased Electricity)  | Total     | kWh                             | 659,942 | 975,516 |
|  | Intensity | kWh/HK\$'000 income             | 9.725   | 8.168   |
| <b>A2.2 Water Consumption<sup>2</sup></b>                  |           |                                 |         |         |
|  | Total     | Tonnes                          | 13,870  | 10,150  |
|  | Intensity | Tonnes/HK\$'000 income          | 0.204   | 0.0849  |

1. The reporting of the above data in relation to the use of resources is mainly based on the Appendix II: Reporting Guidance on Environmental KPIs of How to Prepare an ESG Report issued by the Stock Exchange.
2. Water consumption is mainly calculated in Beijing. Due to the water consumed by the office in Hong Kong is controlled by the building management company and no water meter is installed, therefore, the water consumption data cannot be provided.



## Results of Resource Use Conservation Measures in 2023

In 2023, in respect of the use of resources, paper, diesel, gasoline, natural gas and water consumption were reduced with a decrease ranging 30%, mainly due to the Group's efforts of employees education and instilling the concept of conservation and environmental protection through staff education.

In addition, the Company has implemented strict control measures so as to achieve the reduction in the use of resources. In 2023, due to the influence of the epidemic, the company's engineering projects reduced, drilling operation decreased sharply, and diesel is mainly used in the course of the construction of geothermal energy collection wells. According to the analysis, 16 geothermal energy collection wells were completed in 2023 as compared with 25 wells completed in the same period of 2022. The well construction work decreased by 36% in 2023 which causing the diesel consumption decreased significantly. At the same time, the Company responded to the government's call to manage personnel travel as well as the strengthening on the management of the use of business vehicles, resulting in a remarkable decline of gasoline consumption for the Company's cars. In addition, some meetings have been changed to be held by video conferencing and through the establishment of WeChat groups for work, paper consumption decreased significantly.

In 2023, as influenced by the epidemic, the utilization of electronic equipment has increased due to more video conferencing methods are used. In addition, new equipment was added, such as disinfection cabinets, which has also increased power consumption.

### A2.3 The Energy Efficiency Targets Set and the Steps Taken to Achieve Them

In 2024, the Company will take further measures to reduce energy consumption, gradually reducing the consumption of water, electricity, oil and other energy by 1-5% year on year. The relevant energy-saving measures are as follows:

1. Use water and electricity saving environmental appliances in the office area;
2. For engineering projects, select energy-saving and environmental protection equipment from design;
3. Strengthen the promotion of reducing document printing. For example, documents are required to be archived in digital form and they are not required to be printed for retention, so as to reduce paper usage.



## **A2.4 Water Conservation Measures**

The Company's water consumption in 2023 was 36.6% more than the same period of previous year. The Company is planning in 2023 the office area, we use energy-saving and environment-friendly equipment and facilities, and increase the publicity and requirements for employees to save energy and reduce consumption; we set up sedimentation tanks and adopt recycling method to achieve water conservation during construction.

## **A2.5 Total Packaging Materials Used for Finished Products**

The Group is principally engaged in installation works and is not involved in any packaging materials for finished products.

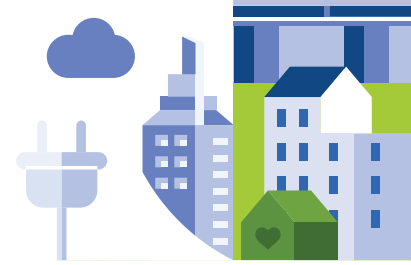
## **A3. Environment and Natural Resources**

The Company focuses on the use of "shallow geothermal energy" to supply heating for buildings and the general public, and has realized the application of "shallow geothermal energy" collection and heat transfer technology, so that low-grade renewable "shallow geothermal energy" has become an alternative energy for heating. The Company has achieved zero combustion and emissions in the heating area of Northern China, causing no pollution and environmental damage to the environment and groundwater resources. The Company's "air source heat pump technology" realizes multi-energy supplementation, using the relatively stable "air source heat pump" as the main heating source and solar thermal energy as a supplement. Its main feature is to use the solar thermal energy collected to significantly save heating operation costs and reduce energy consumption.

## **A4. Climate Change**

As the natural environment on which human beings depend, any change in climate will have an impact on the natural ecosystem as well as the socio and economic system. Global warming has already affected the ecosystems of many regions around the world. The Group places emphasis on making scientific analysis and reference to the research results of Chinese and foreign experts and pays attention to the impact of national climate change on the heating industry, so as to adjust the industry layout and the geographical development of business. In addition, the Group refers to the application of "climate compensation" theory, make full use of weather forecast information, and timely adjust operating parameters according to climate changes, so as to maximize the energy efficiency of machinery units resulting in the saving of energy and reduction of energy consumption.





# 09 *Social Responsibility*

## B1 Employment

The Group regards talents as its valuable assets and the main driving force to the success and sustainable development of the Group. The Group advocates equality of personality, encourages healthy competition for personal development, and realizes that promising people have their own values. It adheres to the concept of diversity, harmony and openness, and continues to implement and abide by local labour laws and regulations, including Hong Kong's "Employment Ordinance," "Provident Fund Scheme Regulations", "Minimum Wage Regulations", and "Occupational Safety and Health Regulations", etc., and the "Labour Law of the People's Republic of China", the "Labour Contract Law of the People's Republic of China" and the other relevant laws and regulations within the territory of China. We have formulated internal rules and guidelines, such as "Human Resource Management Measures", "Staff Remuneration Management System", "Expatriate Staff Management Measures", "Overtime Management System", and "Employee Leave System", which were regularly reviewed and updated from time to time.

### Compensation and Dismissal

The Group has also complied the "Employee Handbook", "Staff Remuneration Management System", "Appraisal Management Measures" and other systems. In determination of the salary level of employees will mainly base on the social average wage level of each position, the employee's job level, qualifications, skills, performance and other factors. Employees with outstanding performance will be selected and rewarded every year.

The termination of the employment contract is strictly handled in accordance with the internal dismissal management system and procedures and all relevant laws and regulations as well as on a reasonable and legal basis. The Group strictly prohibits dismissal of employees by any illegal or unreasonable means.



## **Recruitment and Promotion**

The Group is committed to providing equal employment and promotion opportunities to all qualified personnel, regardless of race, complexion, religion, nationality, disability, gender, age, marital status, etc. All applicants must go through a series of rigorous selection process during the recruitment process, including professional skills written test, comprehensive ability test and to be interviewed by supervisor before they will be formally hired.

For promotion, the Group makes reference to market standards and business development needs, and provides fair promotion opportunities to qualified employees who have outstanding performance and contribution to the Group.

## **Working Hours and Rest Period**

The Group arranges reasonable working hours and rest period for its employees in accordance with local applicable laws, including the “Provisions of the State Council on Working Hours of Employees” and the “Employment Ordinance” of Hong Kong. The working hours of each employee have been specified in their employment contracts. The Group has established an “Attendance Management System” to monitor the working hours of each employee. In addition to the basic paid annual leave and statutory holidays prescribed by the local government, employees can also enjoy additional leave, such as marriage leave, maternity leave and compassionate leave.

## **Other Benefits and Welfare**

In accordance with the government provisions, the Company provides social insurance including pension, medical, unemployment, work-related injury and childbirth for contracted employees of the Group or its subsidiary companies in Mainland. The staff in Hong Kong has a mandatory provident fund scheme as required and various medical and labour insurance schemes are also maintained.



The workforce by gender, employment type, age group and geographical region for 2023 are summarized in Table 5 below.

**Table 5: Information about the Group's workforce by gender, employment type, age group and geographical region for 2022**

|             | KPI   | Unit         | 2023 | 2022 |
|-------------|---|--------------|------|------|
| <b>B1.1</b> | <b>Total workforce by gender</b>              |              |      |      |
|             | Male  | No. of staff | 176  | 239  |
|             | Female  | No. of staff | 42   | 67   |
|             | <b>Total workforce by employment type</b>     |              |      |      |
|             | Full-time                                     | No. of staff | 193  | 284  |
|             | Part-time                                     | No. of staff | 25   | 22   |
|             | <b>Total workforce by age group</b>           |              |      |      |
|             | Age below 30                                  | No. of staff | 6    | 14   |
|             | Age 30-39                                     | No. of staff | 35   | 63   |
|             | Age 40-49                                     | No. of staff | 48   | 68   |
|             | Age 50-59                                     | No. of staff | 86   | 117  |
|             | Age above 60                                  | No. of staff | 43   | 44   |
|             | <b>Total workforce by geographical region</b> |              |      |      |
|             | P.R. China                                    | No. of staff | 194  | 281  |
|             | Hong Kong                                     | No. of staff | 24   | 25   |
|             | <b>Total workforce by category</b>            |              |      |      |
|             | Senior Management                             | No. of staff | 13   | 11   |
|             | Middle Management                             | No. of staff | 29   | 19   |
|             | Non-management                                | No. of staff | 176  | 276  |



The employee turnover rate of the Group in 2023 by gender, age group and region are summarized in Table 6 below.

**Table 6: Information about the Group's employee turnover rate by gender, age group and geographical region for 2022**

|             | KPI  | Unit | 2023   | 2022   |
|-------------|--|------|--------|--------|
| <b>B1.2</b> | <b>Employee turnover rate by gender</b>    |      |        |        |
|             | Male                                       | %    | 25.42% | 26.01% |
|             | Female                                     | %    | 25.70% | 27.17% |
|             | <b>Employee turnover rate by age group</b> |      |        |        |
|             | Age below 30                               | %    | 14.29% | 22.22% |
|             | Age 30-39                                  | %    | 20.45% | 31.52% |
|             | Age 40-49                                  | %    | 20.00% | 23.60% |
|             | Age 50-59                                  | %    | 23.89% | 21.48% |
|             | Age above 60                               | %    | 36.76% | 34.33% |
|             | <b>Employee turnover rate by region</b>    |      |        |        |
|             | P.R. China                                 | %    | 27.07% | 26.25% |
|             | Hong Kong                                  | %    | 7.69%  | 26.47% |

### Diversity Policy

We have adopted a board diversity policy (the "Board Diversity Policy"), which sets out the objectives and means of achieving and maintaining board diversity. The Board Diversity Policy stipulates that the Company shall endeavour to ensure that members of the Board have the appropriate skills, expertise and diverse perspectives to support the execution of our business strategy. Pursuant to the Board Diversity Policy, selection of director candidates will be based on a range of diversity perspectives, including but not limited to skills, professional experience, educational background, knowledge, expertise, culture, independence, age and gender. The board comprised of 7 Male Directors and 2 Female Directors. At the same time, we also adhere to the principle of diversity in our human resource management.



## B2 Employees' Health and Safety

The Group attaches high importance to operation safety, complies and implements the relevant national laws and regulations, such as “Production Safety Law of the People’s Republic of China”, “Fire Control Law of the People’s Republic of China”, “Regulation on Work-Related Injury Insurance” etc., emphasizing that the person in charge of each department is the first responsible personnel for safety. A comprehensive set of “Safety Management System” has been formulated and has engaged safety director responsible for the supervision and inspection of various safety tasks. In addition to various medical insurance and work-related injury insurance in accordance with national regulations, it has also passed the certification of the ISO45001 occupational health and safety management system and established a safety management system.

In order to deeply study and understand the “Production Safety Law of the People’s Republic of China” (adopted by the 29th meeting of the Standing Committee of the 13th National People’s Congress of the People’s Republic of China on 10 June 2021, and effective from 1 September 2021), the Group continued to conduct training seminar on relevant laws and regulations. As a production and operation unit, the Group keeps an open mind and welcomes employees’ opinions on work and strengthens the occupational safety training for employees to make occupational safety training regular.

According to different jobs and natures, safety protection measures are implemented for employees, and labour protection appliances are regularly distributed. High-temperature allowances and heatstroke prevention and cooling medicines will be issued every summer to employees working outdoor with high-temperature environments to ensure the health and safety of employees and regular physical examination will be organized for employees. In view of the particularity of the Company’s business, “Safety Responsibility Letter” and “Safety Agreement” will be signed with the installation and construction company for every project. During the construction process, in addition to special on-site safety officers arranged by the Company, the on-site project department of the subcontractor is also required to deploy safety management personnel in accordance with relevant regulations, and conduct daily inspections on temporary power consumption for construction, high-altitude operations and labor supplies. During the construction of key contents, safety officers are required to supervise on-site and promptly rectify safety problems once identified. The Company arranges dedicated personnel to conduct safety inspections and irregular spot checks on all operating projects and warehouses, and promptly rectifies potential safety hazards once identified to ensure people-oriented and safety first in production.





The number and rate of work-related fatalities and lost days due to work injury of the Group in 2023 are summarized in Table 7 below.

**Table 7: Information about the number and rate of work-related fatalities and lost days due to work injury**

| Indicators  |   | Unit           | 2023 | 2022 |
|-------------|---|----------------|------|------|
| <b>B2.1</b> | <b>Number and rate of work-related fatalities</b> | No. of staff/% | 0    | 0    |
| <b>B2.2</b> | <b>Lost days due to work injury</b>               | Day            | 91   | 132  |

### **B2.3 Occupational and Safety Measures**

After the COVID-19 pandemic ended in 2023, the Group adopted the following prevention and control measures based on actual conditions and in compliance with local pandemic prevention requirements.

- Continue to provide handwashing and disinfection supplies: Public restrooms shall be equipped with sufficient hand sanitizer, hand dryers or disposable paper towels and water supply equipment such as faucets should be ensured to be in normal operation.
- Employees are reminded to seek medical advice as soon as possible if they have symptoms, and to take sick leave immediately.
- Employees are reminded to maintain a good attitude, not to be afraid, panic or anxious, and to insist on personal protection.
- Employees are reminded to take more exercise. The Company shall organize employees to conduct exercises at 10:00 am and 3:00 pm every working day.
- Promote employees to develop sound living and hygiene habits through publicity.
- In 2023, the Company gradually equipped labor protection supplies including earplugs, protective clothing and insulating gloves for special operations personnel in accordance with relevant national and industry regulations.



## B3 Development and Training for Employees

The Group enriches all professional strengths by introducing high-end talents, continuously reinforces talents reserve and constructs hierarchical talent teams, advances establishment of a learning organization and reinforces the concept of lifelong learning; targeted training and appropriate use of employees to strengthen the cultivation of project management talents and technical talents. The Group fully understands that talents are its most important asset, and is committed to pre-employment training, on-the-job training, and recommending employees to research and take examinations to ensure their personal careers are closely linked to the Company's development. The Group designs and arranges suitable training courses for its newly hired and current employees. For newly hired employees, the Group provides comprehensive induction training, which covers company culture, business processes, work safety requirements, management policies and the development philosophy of the Group. For the existing employees, the Group provides appropriate jobs-related training programs from time to time to improve skills, technology, product and technological knowledge, and to understand related industry quality standards and workplace safety standards and other different trainings.

In 2023, all employees of the Group received a total of 884 hours of training and the key training achievements were set out below:

- (1) organized weekly training sessions for the Group's operation and management team on the main contents including corporate management, production safety, advanced technology, case applications, expert lectures and industry trends, and organized written exams based on the training contents, with the examination pass rate of 100%.
- (2) organized all employees to carry out three-level safety education and training, fire protection education and training, practical operations of fire protection facilities, escape drills and other activities to deeply implement production safety responsibilities, enhance safety and fire protection knowledge and improve fire prevention and production safety awareness, and over 400 persons participated in such activities with the examination pass rate of 100%.
- (3) organized pre-job training and review activities for engineering and construction professionals, engineering survey workers, technical workers, refrigeration installation and maintenance personnel, electricians, welders, and other special trades and important positions to meet the production and work needs of the Company, and there were 63 persons who took the examination and obtained certificates with the rate of certificated employees reaching 100%.



Information about the percentage of employees trained and the average training hours completed by gender, employee category in 2023 are summarized in Table 8 below.

**Table 8: Information about the percentage of employees trained and the average training hours completed by gender, employee category**

| KPI         |  | Unit  | 2023   | 2022   |
|-------------|--|-------|--------|--------|
| <b>B3.1</b> | <b>The percentage of employees trained by gender</b>               |       |        |        |
|             | Male   | %     | 82.09% | 78.71% |
|             | Female   | %     | 17.91% | 21.29% |
|             | <b>The percentage of employees trained by employee category</b>    |       |        |        |
|             | Senior Management  | %     | 13.19% | 3.47%  |
|             | Middle Management  | %     | 18.50% | 5.94%  |
|             | Non-management   | %     | 68.31% | 90.59% |
| <b>B3.2</b> | <b>The average training hours completed per employee by gender</b> |       |        |        |
|             | Male   | Hours | 4.12   | 2.63   |
|             | Female   | Hours | 3.77   | 2.54   |



| KPI  |                   | Unit  | 2023 | 2022 |
|--|-------------------|-------|------|------|
| <b>The average training hours completed per employee by category</b> |                   |       |      |      |
|  | Senior Management | Hours | 8.97 | 2.52 |
|  | Middle Management | Hours | 5.64 | 2.50 |
|  | Non-management    | Hours | 3.43 | 2.63 |

The reporting of the above training rate and average training hours are mainly based on the Appendix III: Guidelines for Reporting, Social Key Performance Indicators of How to Prepare an ESG Report issued by the Stock Exchange.





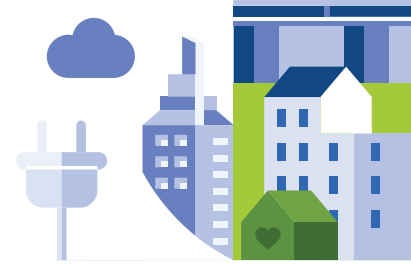
The pictures above are the three-level safety education training organized by the independent accounting unit.

## B4 Labour Standards

### **Prohibition of Child Labour and Forced Labour**

The Group resolutely combats illegal child labour and forced labour, and ensures that job-seekers can be employed legally. The human resources department of the Group requires all employees to provide valid identification documents before confirming employment and is responsible for monitoring and ensuring the compliance of laws and regulations with regard to the prohibition of child labour and forced labour. In 2023, the Group did not have any incidents of child labour or forced labour, and has complied with relevant laws and regulations on the prevention of child labour and forced labour.





# 10 *Operation Management*

## **B5 Supply Chain Management**

In order to ensure stable product quality and provide customers with top-quality project engineering and services, the Group has formulated a series of management measures for the procurement of production and engineering materials, such as “Purchasing Management System”, “Price Management System of Procurement Department”, “Material Quality Inspection”, “Material Management System”, etc.

In order to regulate the implementation of procurement behavior and the management of suppliers, the Company has formulated the “Qualified Supplier Management System of the Procurement Department” and “Qualified Supplier Performance Evaluation Standards” in accordance with the requirements of the ISO9001 quality control system. A qualified supplier must be a supplier that has passed the Company’s assessment in terms of legal business license, product quality, qualification, production and supply capabilities, and quality control system.

In the early stage of supplier evaluation, site visits are required to inspect the supplier’s relevant corporate qualifications, verify the company’s scale, production status, warehouse conditions, etc., and submit the summary data to the Group’s special qualified supplier evaluation team for qualification evaluation. The equipment, accessories and materials used by the Company are provided by qualified suppliers approved by the Company, and the Group regularly conducts random inspections on the performance of the purchased materials. The Group regularly conducts quality inspections and satisfaction surveys on the projects that are already in operation and timely updates and adjusts the products provided according to the needs of users. The Group preferentially selects environmentally-friendly and energy-saving products and enterprises that have passed environmental system certification and have a strong sense of innovation as qualified suppliers, and will regularly evaluate qualified suppliers. For those with major defects, the supplier will not be listed on the list of qualified suppliers.



**Table 9: Information about suppliers by geographical region**

| Indicators  |   | Unit | 2023 | 2022 |
|-------------|---|------|------|------|
| <b>B5.1</b> | <b>Number of suppliers by geographical region</b> |      |      |      |
|             | P.R. China  | No.  | 66   | 78   |

|             |  |   |
|-------------|--|---|
| <b>B5.2</b> | <b>Practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored</b> | <p>Qualified suppliers are determined based on the Qualified Supplier Application Form approved by the evaluation panel. Qualified suppliers must comply with the following requirements:</p> <ol style="list-style-type: none"> <li>1. The products in stock must be qualified products, not counterfeit or fake products; if there are counterfeit or fake products, economic penalties will be imposed according to the degree of impact on the project, and in serious cases, the qualification of qualified suppliers will be cancelled.</li> <li>2. The quantity of products supplied must be consistent with the actual order quantity; There may be a difference between the actual quantity in stock and the contract quantity.</li> <li>3. The supplier must designate one person as the business representative for business contact with our company. In case of personnel change, the suppliers must notify our company in the first time.</li> <li>4. The supplier shall not modify the product without authorization; If the supply price is found to be higher than the original quotation at the time of payment, the supplier shall be subject to financial penalties or even disqualification as a qualified supplier.</li> <li>5. The supplier shall not bribe the business personnel of our Company in any form. Once reported and verified, the qualification of qualified supplier shall be cancelled.</li> </ol> <p>The number of suppliers implementing the practice was 66 in 2023.</p> |
|-------------|--|---|





|                    |   |  |
|--------------------|---|--|
| <p><b>B5.3</b></p> | <p><b>Practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored</b></p>                    | <p>After receiving the evaluation materials, the evaluation team will give priority to the suppliers that have obtained ISO environmental system certification, review the candidate suppliers by referring to the suppliers' price level, product testing report and other conditions, and fill the evaluation comments in the Qualified Supplier Application Form. If further information from the supplier, or field inspection of the system is required, it should also be indicated in the Qualified Supplier Application Form. Follow up and request suppliers to provide the latest ISO environmental system certification.</p>  |
| <p><b>B5.4</b></p> | <p><b>Practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored</b></p> | <p>The Company enters into the "Environmental Protection and Safety Agreement" with qualified suppliers every year to ensure they comply with regulations of environmental protection, production safety and road traffic safety, strictly implement the current "Environmental Protection Law of the People's Republic of China", "Standards for Atmospheric Environment Quality", "Standards for Surface Water Environment Quality", "Law on Production Safety of the People's Republic of China", "Law on Road Traffic Safety of the People's Republic of China" and relevant judicial interpretations, to avoid air pollution, waste water pollution and promote civilized and safe industrial production. We strengthen the environmental supervision over suppliers, and actively pay attention to and require them to adopt civilized transportation. If a violation of relevant terms and conditions is found, the supplier will be notified to rectify the situation before deadline. If the supplier does not listen to the advice, the cooperative relationship with the supplier will be terminated.</p> |



## B6 Product Responsibility

We are committed to designing, producing and selling high-quality products to users, and provide product series that can meet the needs of different customers. We provide customers with excellent services in all aspects from the pre-sales, sales and after-sales processes, and are committed to complying with the “Product Quality Law of the People’s Republic of China”, “Consumer Rights Protection Law of the People’s Republic of China”, “Beijing Construction Project Quality Regulations”, “Advertising Law of the People’s Republic of China” and other regulations.

In order to better serve our customers, the Group has set up a 24-hour hotline to give timely response of system failures reported by the customers in accordance with service agreements. At the same time, we have established client archives file to analyze service information. Various service specifications and procedures have been formulated, and the service process and service quality are inspected and tracked to ensure that the service quality meets the requirements of the standards and procedures. Based on the different natures of the clients, it customizes different service products, such as machine room on-duty service, energy saving operation service. Moreover, it provides system overhauling in transition season (in every spring and autumn) according to service agreements. The Group has carried out activities along this policy and achieved very good results. In 2023, there is no product was recalled due to safety and health reasons.

### Opinions and Complaints

For customer opinion and complaints, a dedicated 24-hour customer service center is set up to ensure that the call request is unblocked. Customer requests and complaints will specially be followed up and visits will be made to ensure that problems are resolved reasonably and effectively. Customer satisfaction has also been greatly improved due to the establishment of a 24-hour customer service center. In the spring and autumn of 2023, the personnel of property service and after-sales maintenance inspected and repaired the customers’ systems and conducted satisfaction survey at the same time. Customer satisfaction rate is over 96%.



## Privacy Protection

The Group attaches great importance to protecting the privacy and rights of customers, and has formulated its internal policies, including file management. Personal data collected from customers will only be used for defined purposes. All employees must comply with relevant requirements. Without the authorization of customers, it is strictly forbidden to disclose any confidential information.

## Protection of Intellectual Property Rights

The shallow geothermal energy collection technology independently developed by the Company has obtained 36 invention patents and 11 new type patents. The Group implements strict management system on intellectual property rights, and also ensures the protection of its legitimate rights and interests through legal registration.

## B7 Anti-corruption

The Company strictly abides by the relevant anti-corruption and bribery laws, regulations and policies in the places where it operates, including “Supervision Law of the People’s Republic of China”, “Anti-Money Laundering Law of the People’s Republic of China”, and the Hong Kong “Anti-Bribery Ordinance”, etc., and actively carry out anti-corruption internal control management and risk prevention, adopt a “zero tolerance” attitude towards illegal acts such as bribery, extortion, fraud and deception. The Group advocates that every employee shall be honest and law-abiding, incorruptible and honest in his work, and practice good professional ethics. In 2023, the Group had no violations of laws or disciplines, and no lawsuits related to corruption occurred throughout the year.

Regarding tender procurement that is prone to corruption, the Company strictly adopts monitoring measures and establishes a tender review team to ensure that the tender process is fair, open and just. The employees who work honestly, reject suppliers’ gifts or dinners, and persuade the suppliers not doing that would be rewarded accordingly.

The Group also strengthened anti-bribery and anti-corruption training for employees to enhance the awareness of anti-corruption and upholding integrity. At the same time, the Group has internal reporting channels for employees to report any suspicious misconduct in writing. The Group investigates any suspicious or illegal behaviour to protect the interests of the Group. If the Group proves any criminal conduct, the management of the Group will immediately report to the relevant regulatory agency or law enforcement agency when it deems necessary.



## B8 Community Investment

### 1. Community Service

On 30 March 2023, Dalian Ground Source Energy Heating Co. Ltd.\* (大連地能熱力有限公司), which is responsible for the operation and maintenance of HYY Group in the Xiaoyaowan area of Dalian\* (大連小窟灣地區), received a banner from the Hong Kong headquarters and Dalian branch of Hutchison Whampoa Wolong Properties\* (和記黃浦臥龍地產), which highly recognized the high-quality services the Company provided for its “The South Bay”\* (御南灣) community in winter heating. Hutchison Whampoa Wolong North District B commercial and residential project (The South Bay) is the first batch of commercial and apartment residential projects in Xiaoyaowan area of Dalian developed by Hutchison Whampoa Properties (Dalian Wolong North) Limited. This project uses shallow geothermal energy for buildings’ heating, with a heating building area of 58,378 m<sup>2</sup>. The sound heating effect and responsible service attitude have won unanimous praise from owners and residents in 2022-2023.

Ever Source Science & Technology Development Group\* (恒有源科技發展集團) owns the 900WM distributed geothermal energy heating and cooling station heating franchise in Xiaoyaowan International Business District. Hutchison Whampoa Wolong North District B commercial and residential project (The South Bay) is a demonstration project within the scope of the franchise. The sound heating effect of shallow geothermal energy has played a demonstration role in accelerating the promotion for HYY in Northeast China.



## 2. Public Welfare

- (1) From 29 July 2023 to 2 August 2023, the Beijing-Tianjin-Hebei region was hit by an exceptionally heavy rainstorm, and the flooding caused serious floods in Fangshan and Mentougou areas of Beijing as well as Hebei and other areas. HYY Group, as a company with a strong sense of social responsibility, gave a hand to the disaster area at the first time of the disaster, donating RMB200,000 to Liu Jie, the martyr and the deputy mayor of Longquan Town, Mentougou District (門頭溝區龍泉鎮), who sacrificed his life during the rainstorm, through the Mentougou Charitable Association, as well as giving cash grants to 12 people in the disaster area.
- (2) In order to ensure heating, the Group donated facilities valued at RMB7.09 million to the Housing and Urban-Rural Construction Department of Zhongwei City (中衛市住房和城鄉建設局).



### 3. Participation in Social Activities

- (1) On 4 May 2023, the National Geothermal Energy Development and Utilization Research and Applicable Technology Promotion Center\* (國家地熱能源開發利用研究及應用技術推廣中心) and the Technical Committee for Geothermal Professional Standardization of the Energy Industry\* (能源行業地熱能專業標準化技術委員會) initiated the selection of geothermal energy development and utilization demonstration projects to demonstrate the achievements of the geothermal energy industry in China and promote its high-quality development, and the “Comprehensive Energy Project of Xiongan Citizen’s Service Center” of HYY Group was awarded the title of “Geothermal Energy Development and Utilization Demonstration Project”.
- (2) On 15 September 2023 to 17 September, 2023, the Seventh World Geothermal Congress of 2023 (WGC2023), also called the “Geothermal Olympics”, was held in Beijing, China under the theme of “Clean Geotherm, Green Earth”. Mr. Xu Shengheng, Chairman of the Board of Directors of CHYY Development Group Limited, led the team to participate in this conference, and three papers of HYY Group were selected to be included in the collection of papers of this conference, and were delivered in relevant thematic forums, among which the paper on the Application of Single-well Recirculating Heat Exchange from Jingbei Campus of Haidian Foreign Language School was a continuation of the best paper on the Application of Single Well Circulation Heat Exchange from Haidian Foreign Language School submitted by HYY Company at the Third Geothermal Conference held in Mexico in 2003, which reflected the Group’s 20 years of continuous innovation in single well circulation heat exchange geothermal energy collection technology, mature application and its deep cultivation and persistence in the industry.



- (3) In December 2023, the Group participated in the 11th China Heat Pump Conference and the 4th China HVAC Industry Conference, and won the industry “Contribution Award”.



In addition, the Group has increased employees' daily physical exercise time in the Company to promote employees' physical and mental health and provide motivation for future work.

