

CHINA GEOTHERMAL INDUSTRY DEVELOPMENT GROUP LIMITED 2020 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2020 年度 環境、社會 及管治報告



中國地熱能產業發展集團有限公司

CHINA GEOTHERMAL INDUSTRY DEVELOPMENT GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8128

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About This Report

This Report is the fifth Environmental, Social and Governance report (the "Report") of China Geothermal Industry Development Group Ltd. (the "Company") together with its subsidiaries (the "Group" or "China Geothermal" or "we") for the year ended 31 December 2020. This report presents information regarding our management approach, strategies, goals and progress on environmental, social and governance issues. This report has been prepared in both Chinese and English and has been published on the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company. If there is any discrepancy between the Chinese and English versions, the Chinese version shall prevail.

Scope Covered

In setting the scope of this 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 2020 and include them in the scope of the Report. This Report mainly covers operating entities in Hong Kong, Beijing and Hangzhou. The total revenue of the entities within the scope of the Report accounted for over 90% of the revenue of the Group in 2020. The employee information in this report is disclosed based on the total number of employees of the Group in 2020.

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 20 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 the 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 the Report.

Quantitative principle: We disclosed environmental and social information in accordance with the requirements of the ESG Reporting Guidelines of The Stock Exchange of Hong Kong Limited, and disclosed the methods and assumptions used in the Report.

Balance Principle: The Report describes and analyzes the Group's environmental, social and governance information to readers in an unbiased manner and avoids factors that may improperly affect the content of the Report.

Consistency principle: Unless otherwise specified, the compilation method used in preparing the Report is consistent with that of year 2019.

Approval and Release

The report was approved by the board of directors and was released on 28 May 2021.

Feedback

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

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62-63 Connaught Road Central,
Central, Hong Kong
Phone: 852-37539800
Email: info@cgsenergy.com.hk

Message from the Board of Directors

To the shareholders and all stakeholders:

China Geothermal Industry Development Group Ltd. (hereinafter referred to as the "Company" or "China Geothermal") is the sole listed company in Hong Kong mainly engaged in the research and promotion of the development and utilization of shallow geothermal energy as an alternative energy source for building heating (cooling). The Company is committed to the industrial development of original technology through its Beijing technology and industrial headquarter, Ever Source Science and Technology Development Group Co., Ltd. (hereinafter referred to as "HYY" or "HYY Group"), realizing traditional combustion heating industry (with combustion, emissions, pollution) is fully upgraded and replaced with a new emerging industry of integrated heating and cooling with shallow geothermal energy without combustion.

HYY is a high-tech enterprise registered in the Science and Technology Park of Haidian District, Beijing in 2000 mainly focusing on energy and environmental science. It is committed to the research and development of renewable energy and is engaged in the scientific research, design, production and a full range of technical services on the development and utilization of shallow geothermal energy. The Single Well Circulation Heat Exchange Geothermal Energy Collection Technology invented by HYY had been verified by the Chinese Academy of Sciences Information Institute and confirmed by experts that it has reached the international leading technical level. The Company has all independent intellectual property rights on its core technology. The Single Well Circulation Heat Exchange Geothermal Energy Collection Technology only uses heat without any water consumption and water pollution. With the practice of HYY for more than 20 years has proved that its technological advancement and safety to the environment. Year 2020 is a milestone for China Geothermal with HYY stepping in its third decade of development. Under the integrated management model of Beijing and Hong Kong, HYY Group has always adhered to the development concept of "pursuing the harmonious coexistence of human and nature, making the people to enjoy a high-quality life", centering on the core corporate values of "loyalty and responsibility" and insisting on the mission of "pragmatism and innovative". With the original and innovative Single Well Circulation Heat Exchange

Geothermal Energy Collection Technology as the core, we will strive to build a full industry chain operation system integrating scientific research and development, design consulting, equipment manufacturing, engineering installation, operation and maintenance and will always focus on the research and promotion of the development and utilization of shallow geothermal energy as an alternative energy for building heating, realizing the strategy of "non-combustion clean heating with shallow geothermal energy for development of emerging industry of integrated heating and cooling with renewable energy ", and innovatively explore a new path to control haze with utilization of the renewable shallow geothermal energy for clean and intelligent building heating that are free of combustion and emissions in the heating area.

Shallow geothermal energy heating is the use of electrical energy to transport the geothermal energy already existed in the shallow underground instead of converting electrical energy into heating energy. Its efficiency is much higher than that of traditional heating methods. Compared with direct heating by electricity, shallow geothermal energy heating can save one-half to two-thirds of electric power under the same conditions. The shallow geothermal heating system has only physical change but no chemical reactions in the working process, which fundamentally avoids the emission of harmful substances. The Company takes HYY Group as the main corporate body for the active promotion of the development of emerging industry of non-combustion integrated heating and cooling with shallow geothermal energy for 20 years. Up to now, the clean heating/clean self-heating projects with shallow geothermal energy of the Company has radiated from Beijing to all regions except Hainan, Hong Kong, Macau and Taiwan, covering administrative offices, schools, hospitals, stadiums, commercial facilities, and rural areas. Significant economic and environmental benefits were achieved with more than 800 applications of shallow geothermal energy systems by the Group for a construction area of more than 20 million square meters. Compared with direct electric heating equipment, the 20 million square meter project can save 1.8 billion kWh of electricity per heating season every year, which directly replace 560,000 tce of coal for power generation by power plants, and reduce the emission of 1.31 million tons of carbon dioxide, 702 tons of sulfur dioxide, 648 tons of nitrogen oxides, 144 tons of soot, which is equivalent to reducing the construction of three 100MW power plants and saving thermal power generation investment of about 1 billion yuan. At the same time, the development and implementation of the 2 million square meters of clean self-heating with shallow geothermal energy project in rural areas can directly replace 75,600 tons of loose coal every heating season, reducing emissions of 200,000 tons of carbon dioxide, 559 tons of sulfur dioxide, 197 tons of nitrogen oxides, and 783 tons of soot. The application of shallow geothermal energy for smart heating projects has rationalized and improved the industrial chain of heating energy, further improved the rationality of the regional energy industry structure and energy utilization efficiency, reduced the

consumption of fossil energy such as coal, and controlled the emission of pollutants from the source which is conducive to the early realization of China's commitment for achieving carbon dioxide emission peak by 2030 and carbon neutrality by 2060.

With the substantial practice of clean self-heating with shallow geothermal energy in rural areas and the implementation of a large number of centralized clean heating projects is a reflection of the Company's resolute implementation of the national clean heating guidelines and full support for the construction of a well-off society. The Company will continue to resolutely fulfill its social responsibility, continuously enrich and improve the product industry chain, combine the industrial development of original technology with financial capital and industrial Internet to establish a new heating energy system so as to pursuing the harmonious coexistence of human and nature in the most effective way while promoting healthy economic development and making people to enjoy a high quality of life, thereby truly practicing the construction of ecological civilization. Intelligent heating promotes the flourishing of the new industry of integrated heating and cooling, creates a new path to combat haze which can serve our communities in a more environmentally friendly and efficient manner and ushers in a new era of heating energy

On behalf of the Board

徐生恒

Chairman

13 May 2021

Stakeholders' Participation

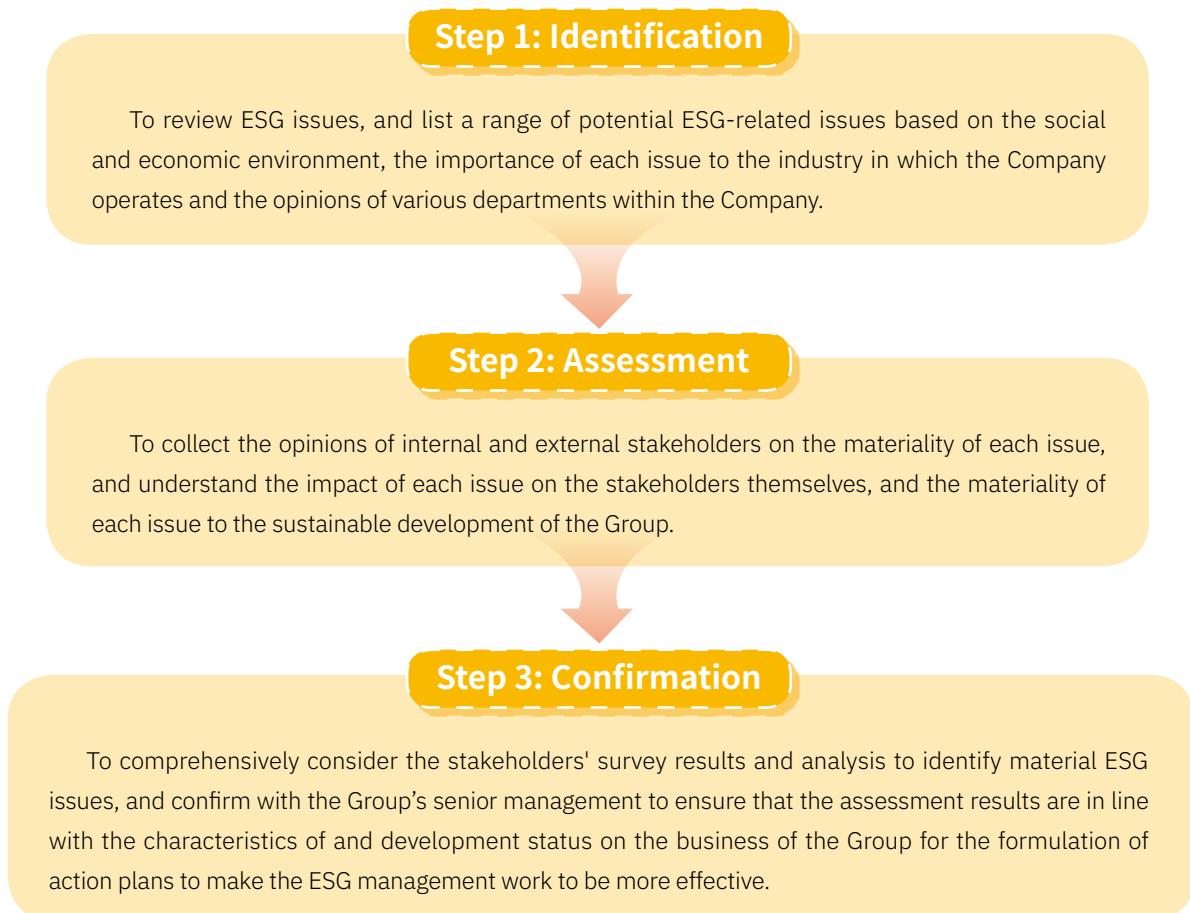
The Company believes that the basic premise of the environmental, social and governance report is that the reported information is relevant and important to its stakeholders. Therefore, it has been actively seeking opportunities to communicate with internal and external stakeholders and strive for the continuous cooperative dialogue. Through the following different communication channels, continuous multi-directional and candid communication with stakeholders are maintained so as to understand their key concerns about ESG issues.

Stakeholders	Key concerns	Communication channels
Government and regulatory departments	<ul style="list-style-type: none"> - Compliance of rules and regulations - Epidemic prevention and control - Support the country's development policies in the industry sector - Innovation and development 	<ul style="list-style-type: none"> - Participate in government meetings and receive policy documents - Participate in the declaration of government-supported project, etc. - Expert forum
Investors/ Shareholders	<ul style="list-style-type: none"> - Return on investment - Corporate governance - Business development 	<ul style="list-style-type: none"> - Shareholders' meetings, HKEX announcement - the Company's financial report, annual report, ESG Report etc.
Employees	<ul style="list-style-type: none"> - Employee rights and benefits - Training and development - Epidemic prevention and control - Occupational health and safety 	<ul style="list-style-type: none"> - Staff Union, staff handbook - Performance appraisal mechanism - Various forms of training and promotion methods - Implementation of epidemic prevention and control monitoring mechanism - Caring for employee health
Customers	<ul style="list-style-type: none"> - Product quality and benefit - Customer benefit protection 	<ul style="list-style-type: none"> - Pre-sales, sales, after-sale services - Customer Service Center, 24-hour hotline - Spring and Autumn maintenance, satisfaction survey, etc.
Suppliers	<ul style="list-style-type: none"> - Fair and open procurement - Win-win cooperation - Protection of intellectual property rights 	<ul style="list-style-type: none"> - Procurement by price comparison - Select qualified suppliers
Constructors	<ul style="list-style-type: none"> - Work safety 	<ul style="list-style-type: none"> - Contracting, safety agreements, regular inspection etc.

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 operation of the Group. These important or related issues often change with 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:

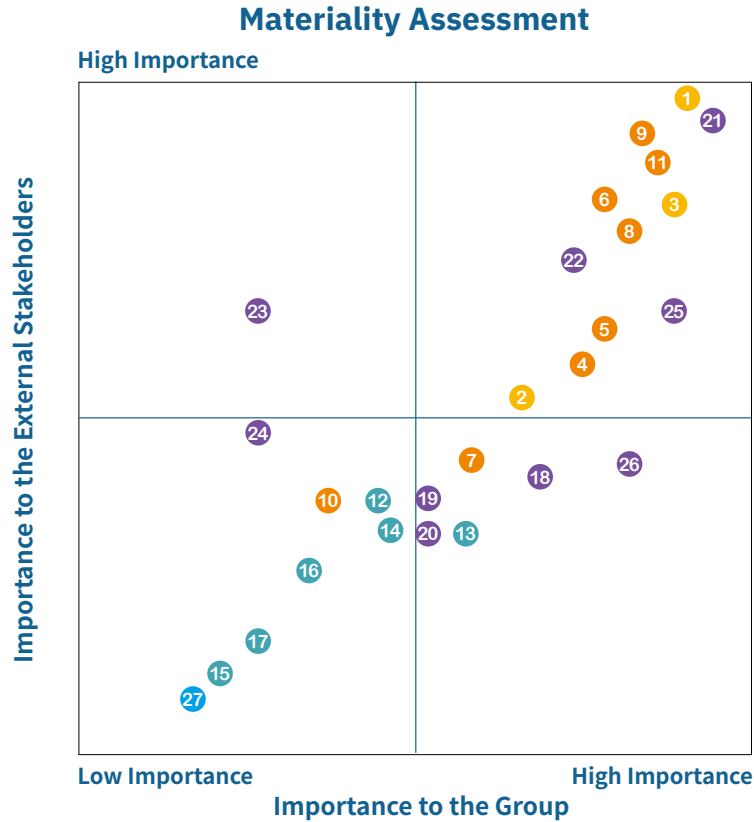


Last year, we have identified three most important issues in each category through a materiality assessment, which covered issues such as labour treatment, environmental protection, operating practices and product services. During the year, we have followed up and responded to the important issues of concern.

Issues of concern	Follow up and response
Labour treatment	
<ul style="list-style-type: none"> ● Equal employment opportunity 	To strengthen the awareness of recruiting personnel and strictly implement the recruitment procedures
<ul style="list-style-type: none"> ● Occupational safety and health 	To appoint full-time safety personnel responsible for formulation of various systems, including strengthening various safety inspections, training, and improving overall safety awareness. Established an occupational health and safety management system and passed the ISO45001 occupational health and safety management system certification. In 2020, there were no work-related fatalities cases
<ul style="list-style-type: none"> ● Staff welfare 	During the pandemic period, quarantine holidays are provided, and anti-epidemic medicine and masks are distributed to provide additional protection for employees. Staff canteens are equipped with disinfection cabinets and provide free fruits at lunch.
Environmental protection	
<ul style="list-style-type: none"> ● Saving energy and water 	To strengthen the employees' awareness of energy conservation and actively implement daily energy conservation measures
<ul style="list-style-type: none"> ● Hazardous and non-hazardous waste treatment 	To strengthen the waste classification and disposal, arrange qualified service companies to dispose of waste according to regulations
<ul style="list-style-type: none"> ● Greenhouse gas emissions 	To strengthen the employees' awareness of energy conservation and actively implement daily energy conservation measures
Operation practices	
<ul style="list-style-type: none"> ● Supplier management 	To strictly implement the internal supplier management system and conduct regular reviews
<ul style="list-style-type: none"> ● Anti-corruption 	To strengthen anti-corruption education and awareness
<ul style="list-style-type: none"> ● Disaster contingency plans 	To appoint full-time safety personnel to formulate various systems, including disaster emergency plans and regularly conduct safety training and drills

Issues of concern	Follow up and response
Products and services	
<ul style="list-style-type: none"> ● Quality and safety of the products 	<p>To strengthen product inspection and establish a quality control system that passed the ISO9001 quality control system certification, strengthen the quality awareness and quality control from all aspects of management, and ensure the provision of qualified and high-quality products and services</p>
<ul style="list-style-type: none"> ● Customers' opinion and complaints 	<p>To strengthen customer service to handle customer opinions and complaints. Set up a 24-hour customer service hotline, and conduct regular customer satisfaction surveys. Customer satisfaction reaches more than 95%.</p>
<ul style="list-style-type: none"> ● After-sale service 	<p>Follow up on customer satisfaction with the products</p>

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

"Double Guarantee" battle during the epidemic period

At the end of January 2020, COVID-19 pandemic broke out in China and spread rapidly. Beijing, a mega capital city with a population of tens of millions, the importance and urgency of epidemic prevention and control cannot be ignored. China Geothermal with its headquarter in Beijing, undertakes heating tasks for many users. Due to the requirements of anti-epidemic measures, most people are required to stay at home in order to reduce the gathering of people. Therefore, the task of heating supply during this period was particularly important.

Heavy responsibilities in the face of COVID-19

The heating task of more than 20 million square meters by the Company not only related to the production of enterprises and the protection of people's livelihood, but also to the fight against epidemic for preserving stability. Therefore, it is a great responsibility of the Company to perform well on the epidemic prevention and control as well as the heating task. Facing the sudden outbreak of epidemic, the Company attached great importance to it and responded quickly. Management at all levels of the Group quickly convened emergency epidemic prevention meetings, and various departments strengthened overall planning and joint prevention and control, and actively and orderly carried out epidemic prevention and control work. According to the requirements of the "Notice of the Beijing Municipal People's Government on Further Clarification of Responsibilities to Strengthen the Prevention and Control of COVID-19 Virus Infection" and the "Notice of Haidian District on the Prevention and Control of COVID-19 of Human Resources Service Organizations", the key management staff of the Group made scientific decisions to strengthen the management based on the actual situation during the pandemic period. They had formulated the work arrangement



of "epidemic prevention and control" which organically combined with the arduous task of "heating supply guarantee" during the Spring Festival, and initiated the Group's "double guarantee" emergency plan to put forward the two guarantee principles of "guarantee the safety of employees and customers and the normal operation of heating 24 hours a day" in a bid to win the double guarantee battle for "epidemic prevention and control" and "heating supply guarantee". As the epidemic situation changes, the Group adjusted its work focus from time to time in order to promote the resumption of work and production with heat supply guarantee and assurance for people. While making every effort to prevent and control the epidemic, assurance of heating supply is the top priority task. We will fully support our country to win the battle of epidemic prevention and control. Since the outbreak of the epidemic, the Company has no infection case, and has actively resumed work and production in accordance with national and local requirements.

"Guarantee of Epidemic Prevention & Control" of China Geothermal

"Being good at the ego can achieve the great ego." In order to ensure the epidemic prevention and safety in Haidian District and even Beijing, particularly with the safety of the Group's employees and customers is the top priority of "epidemic prevention", HYY Group, the industrial headquarters of the Company, prepared the "HYY Emergency Plan for Epidemic Prevention and Control" according to actual conditions which put forward the guidance of prevention and control according to law, relying on science, prevention first and combination of preventive treatment. Strict prevention and control measures are implemented to limit the flow of people in the company, ensure the normal proceeding of temperature measurement and disinfection, and respond to the government's call to set up 24 hours "Epidemic Prevention" hotline, properly carry out the staff statistics work, actively cooperate with relevant local departments in the epidemic prevention reporting, and carry out detailed epidemic registration for employees returning to work and returning to Beijing so as to achieve "daily registration and reporting for each person"

"Guarantee of Heating Supply" of the China Geothermal

Before the Spring Festival holiday in 2020, the Company has formulated a heating guarantee system of "Three-step of Customer Service and Maintenance", concentrating its efforts in assured timeliness and efficiency of tasks, strengthening customer service management and improving maintenance standards with set up of a 24-hour comprehensive customer service center. Upon receiving the maintenance task by comprehensive customer service center which would be reported and registered immediately through Internet tools such as HYY cloud platform and WeChat group for the central scheduling. The person in

charge of maintenance and emergency repair will assign the maintenance task to the maintenance team within 2 hours and will supervise the maintenance team to complete the job in a timely and effective manner. After the outbreak of the epidemic, on the premise of ensuring the safety of employees and customers and based on the heating guarantee system of "Three-step of Customer Service and Maintenance", the key management of Group urgently formulated the special "Six Guarantees" heating plan for extraordinary periods which are guarantee of customer



service and maintenance hotline are accessible 24 hours a day ; guarantee of the maintenance personnel arriving at the project site without delay; guarantee of the body temperature of the customer service and maintenance personnel is normal; guarantee of the maintenance personnel strictly abide by the local epidemic prevention measures; guarantee of the maintenance personnel do not believe and spread rumors; guarantee on-site project in an orderly manner. At the same time, the National School of Administration, the All-China Federation of Industry and Commerce and other national key centralized heating projects are equipped with a number of full-time maintenance staff on duty to ensure 24-hour real-time monitoring of the operation status of the projects and conducting regular disinfection.

The maintenance team of the Group had held fast to their own position in each clean self-heating projects and central heating projects, strictly abided by the local epidemic prevention standards to ensure normal heating services to households and customers in rural areas. Through reasonable deployment of personnel, a strong heating guarantee system is formulated in strict implementation of the spirit of government and the Group's instructions. The Group has satisfactorily guaranteed the heating for families and areas covering 5 million square meters and firmly uphold of the important lifeline of heating in the cold winter.

China Geothermal's scientific decisions and effective management methods during the pandemic

Due to the epidemic, work from home has been advocated everywhere. During the period of work from home, the Company urgently launched its informatization operation by quickly contacting with multiple service providers to purchase and update the video conferencing system according to the actual situation

of the Group. After several days of continuous trial, the innovative combination of live video conferencing system, Headlines Today live video broadcast, WeChat and other network tools has improved the efficiency of employees working from home. At the same time, the Group and industry experts have established an online guidance mechanism through the video conferencing system to facilitate remote work guidance by experts and strengthen the linkage work among superiors of the Group, industry experts and employees. Not only that, the design department and engineering center of the Group connecting with customers in real time through platforms such as phones and the Internet to perfect the engineering design plans and construction issues at online so as to providing customers with all-round services.

Donations made at the difficult times

The Group persisted to the tradition of patriotism and the spirit of "one in trouble, all will help", voluntary donations to support epidemic prevention work were made. The employees of the Group actively contributed cash and materials and their effort to the cause against the epidemic.

As of early 2021, the national epidemic prevention and control situation is basically stable with the strong government control. The Group's unswerving and unrelenting "double guarantee" battle against "epidemic" still continue. With the joint efforts of Party leaders, superiors of the Group, industry experts and staff at all levels, the Group has ensured that all employees are free from the epidemic and resume work gradually in a planned manner, ensuring the normal operation of heating in various places, and has made the greatest contribution to the social economic development as an enterprise.

E Environmental Responsibility

As a member of a green enterprise, the Group 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 heating by electricity. We have committed to promoting this environmental protection business and advocating clean heating, which effectively reduces pollution, solves haze, creates blue sky, and makes more reasonable and effective use of energy. We have been working hard to achieve these goals in order to make our planet healthier and improve the people's living standards. After years of development, significant economic and environmental benefits is achieved with more than 800 applications of shallow geothermal energy systems by the Group for a construction area of more than 20 million square meters. Compared with direct electric heating equipment, the 20 million square meter project can save 1.8 billion kWh of electricity per heating season every year, which directly replace 560,000 tce of coal for power generation by power plants, and reduce the emission of 1.31 million tons of carbon dioxide, 702 tons of sulfur dioxide, 648 tons of nitrogen oxides, 144 tons of soot, which is equivalent to reducing the construction of three 100MW power plants and saving thermal power generation investment of about 1 billion yuan. At the same time, the development and implementation of the 2 million square meters of clean self-heating with shallow geothermal energy project in rural areas can directly replace 75,600 tons of loose coal every heating season, reducing emissions of 200,000 tons of carbon dioxide, 559 tons of sulfur dioxide, 197 tons of nitrogen oxides, and 783 tons of soot.

According to the information released by the 2017 Heat Pump Heating Technology Application and Development Summit Forum: Compared with other heating methods, the shallow geothermal energy ground source heat pump system has the best economic benefits as well energy saving and environmental protection.

Table 1: Information released at the Heat Pump Heating Technology Application and Development Summit Forum 2017

Type	Temperature (Celsius)	Power consumption/gas (per square meter per heating season)	Conversion cost of a heating season(Yuan/m ²) Electricity charges are RMB0.49 for 15 hours, RMB 0.1 for 9 hours
Ground source heat pump (HYY Heating Device)	20.6	30kWh	9.6
Air source heat pump	19.1	58.7 kWh	18.3
Energy storage heater	17	191.5 kWh	21.3
Wall-mounted gas boiler	17.7	10.8M ³	13.8

At the same time, we try our best to practice green operations to ensure the future responsibilities and opportunities of the company and society. The Group attaches great importance to the long-term sustainability of the environment and communities where it operates. Therefore, it is committed to promoting sustainable development plans by strictly controlling its emissions and resource consumption in daily operations, and complying with all relevant environmental laws and regulations in P.R. China in its daily operations, including but not limited to "Environmental Protection Law of the People's Republic of China", "Energy Conservation Law of the People's Republic of China", "Environmental Prevention and Control Law of Solid Waste Pollution of the People's Republic of China", "Air Pollution Prevention and Control Law of the People's Republic of China", "Water Pollution Prevention and Control Law", "Water and Soil Conservation Law of the People's Republic of China", and "Renewable Energy Law of the People's Republic of China". According to the ISO14001 international environmental management standard, we regularly identify the update of environmental protection laws and regulations in the country and the project area to ensure that the Company's policies, systems and measures fully meet the relevant requirements. In addition, the Company has also actively adopted various measures to build a corporate culture that focuses on sustainable development, and promotes the relevant culture with environmental protection measures at different levels that covers office operations, project management, and project operations.

The main environmental impacts of our daily operations include greenhouse gas emissions and resource use in the office area, as well as the environmental impact and resource consumption of the project during the construction and operation periods. The Company promotes green office and a variety of environmental

protection practices in the process of project design, construction, and operation to minimize the impact on the environment and natural resources.

Green Construction

Construction project is required to be carried out strictly in accordance with "Green Construction Evaluation Standards for Construction Engineering", "Green Construction Guidelines", "Environmental Noise Emission Standards at Construction Sites", and "Environmental and Sanitary Standards for Construction Sites", etc. and shall be abide by relevant construction regulations and standard requirements during the process. Regular work meeting in respect to "Civilized construction and environmental protection at the construction site" will be held and "Construction site environmental protection management inspection system" will be implemented in order to strictly control the various emissions and to reduce the impact on the surrounding environment. At the same time, the Group's environmental protection policies, goals and indicators are formulated to achieve harmony between construction and the environment and meet the requirements of environmental management standards.

Table 2 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 2: 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. Enclosed transportation vehicles engaged in the transportation of earth and mud. Transportation vehicles shall be cleaned up at the exit of the project site. 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.

Type	Emission source	Name of pollutants	Preventive measures
Noise pollution	Construction period		Provide training to construction personnel for civilized construction and strengthen the management of man-made noise. 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.
Water pollutant	Construction period Domestic sewage	CODCr BOD5 SS 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 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 an 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 in the construction process such as generators and drilling rigs, and refrigerants used in the maintenance services projects. Most of the refrigerants we use are environmentally friendly models, and the use of non-environmentally friendly refrigerants is mainly to provide maintenance services to some customers whose equipment in use are 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 is not used 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
- ▶ Encourages 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
- ▶ 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 2020, the air pollutants (including nitrogen oxides ("NOx"), sulfur oxides ("SOx") and particulate matter ("PM") generated by the Group mainly come from the natural gas used by the Company's canteen and commercial vehicles. Specifically, the Group's emissions of NOx, SOx and PM were approximately 230.5 kg, 0.3 kg and 21.4 kg respectively.

In 2020, the Group's greenhouse gas emissions 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 21,506 metric tons of carbon dioxide equivalent and 872 metric tons of carbon dioxide equivalent, respectively. The Group's total greenhouse gas emissions are approximately 22,378 metric tons of carbon dioxide equivalent, and the emission intensity per thousand Hong Kong dollars in revenue was approximately 0.097 metric tons of carbon dioxide equivalent. In addition, no significant amount of hazardous waste was recorded in the year under review. The total emissions of the Group in 2020 are summarized in Table 3 below.

Table 3: Information about the emissions by the Group in 2020

Type		Unit	2020	2019
A1.1 Emissions				
	NOx	Kg	230.5	275.3
	SOx	Kg	0.3	0.4
	PM	Kg	21.4	25.5
A1.2 Greenhouse gas emissions				
	Scope 1 (Diesel, natural gas, gasoline, refrigerant)	Tonnes of CO ₂ e	21,506	28,386 ²
	Scope 2 (Electricity)	Tonnes of CO ₂ e	872	861.2

1. The reporting of the above data in relation to the emissions and greenhouse gas emissions are mainly based on the Appendix 2: Reporting Guidance on Environmental KPIs of How to Prepare an ESG Report issued by the Stock Exchange.

2. The emission figures of scope 1 for the greenhouse gas emission in 2019 was adjusted, which was mainly due to the inclusion of R22 refrigerant, that was not counted last year.

Apart from the slight increase in greenhouse gas emissions in the relevant scope 2 (electricity), this was mainly due to the inclusion of the relevant data of Hangzhou company in the scope of this report, various emissions and greenhouse gas emissions in 2020 were reduced as compared to last year. In 2020, we expanded the reporting scope with Hangzhou company in the scope of this report first time. Therefore, if the data of Hangzhou company is excluded, the reduction will be more significant. The significant decreases this year were mainly attributable to the measures taken for some employees to work from home and travel restriction during the pandemic period in 2020, which resulted in a decrease in energy consumption. On the other hand, it was due to the Group's active promotion of environmental protection and energy saving measures.

A2 Use of resources

In 2020, 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. The Group's resources used in 2020 are summarized in Table 4 below.

Table 4: Information about the use of resources by the Group in 2020

Type		Unit	2020	2019
A1.3 Hazardous waste produced				
Batteries	Total	Pcs.	78	51
Fluorescent Tubes	Total	Pcs.	79	7
Toner Cartridges(Recycled)	Total	Pcs.	20	7
A1.4 Non-hazardous waste produced				
General Solid Waste (Landfilled)	Total	Tonnes	32.5	41.4
	Intensity	Tonnes/ HK\$'000 income	0.0001	0.0001
Paper	Total	Kg	2,112.2	1,576.9
	Intensity	Kg/ HK\$'000 income	0.0092	0.0046

Type		Unit	2020	2019
A2.1 Direct and Indirect Energy Consumption by Type				
Diesel	Total	Liter	42,793	126,956
	Intensity	Liter/ HK\$'000 income	0.185	0.3674
Gasoline	Total	Liter	22,513	29,386
	Intensity	Liter/ HK\$'000 income	0.098	0.085
Natural gas	Total	M ³	2,357	2,758
	Intensity	M ³ / HK\$'000 income	0.0102	0.008
Total Indirect Energy Consumption (Purchased Electricity)	Total	kWh	910,576	1,108,025
	Intensity	kWh/ HK\$'000 income	3.9442	3.2063
A2.2 Water Consumption				
Water	Total	Tonnes	8,696	5,297.8
	Intensity	Tonnes/ HK\$'000 income	0.0377	0.0153

1. The reporting of the above data in relation to the use of resources is mainly based on the Appendix 2: Reporting Guidance on Environmental KPIs of How to Prepare an ESG Report issued by the Stock Exchange.
2. Water consumption in 2020 only covered that of Beijing and Hangzhou. Due to the water consumed of the leased 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.

In 2020, there were declines for the use of resources, such as diesel, gasoline, natural gas and electricity. The consumption of paper, water and fluorescent tubes have increased relatively significant. This mainly attributable to our expansion on the the scope of reporting and included relevant data of Hangzhou company in this report in 2020. The reason for the increase in the consumption of fluorescent tubes was due to the relocation of the Hong Kong office and refurbishment of the new office in 2020. The new office uses the energy-saving LED tubes.

Social Responsibility

B1 Employment

The Group regards talents as its valuable assets and the main driving force to ensure the success and sustainable development of the Group. The Group promotes the equality, encourages healthy competition for personal development, realizes the positions available for those who are capable, adheres to the concept of diversification, harmony and openness, and continues to implement and abide by local labour laws and regulations, including Hong Kong's "Employment Ordinance", "Mandatory Provident Fund Schemes Ordinance", "Minimum Wage Ordinance", "Occupational Safety and Health Ordinance, etc., the PRC's "Labour Law of the People's Republic of China", "Labour Contract Law of the People's Republic of China" and the other relevant laws. We have formulated the internal rules and guidelines in accordance with the law, such as " Administrative Measures for Human Resources ", " Staff Remuneration Management System ", " Administrative Measures for Expatriate Staff ", " Overtime Management System", "Employee Leave System " which were regularly reviewed and updated from time to time.

► Compensation and dismissal

The Group has also complied the "Employee Handbook", " Salary 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 2020 are summarized in Table 5 below.

Table 5: Information about the Group's workforce by gender, employment type, age group and geographical region for 2020

	KPI	Unit	2020	2019
B1.1	Total workforce by gender			
	Male	No. of staff	401	446
	Female	No. of staff	83	134
	Total workforce by employment type			
	Full-time	No. of staff	400	456
	Part-time	No. of staff	84	124
	Total workforce by age group			
	Age below 30	No. of staff	28	35
	Age 30-39	No. of staff	115	117
	Age 40-49	No. of staff	104	142
	Age 50-59	No. of staff	174	232
	Age above 60	No. of staff	63	54

KPI		Unit	2020	2019
Total workforce by geographical region				
	P.R. China	No. of staff	451	548
	Hong Kong	No. of staff	33	32
Total workforce by category				
	Senior Management	No. of staff	19	20
	Middle Management	No. of staff	22	30
	Non-management	No. of staff	443	530

The employee turnover rate of the Group in 2020 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 2020

KPI		Unit	2020	2019
B1.2	Employee turnover rate by gender			
	Male	%	14.50	10.76
	Female	%	31.97	17.91
Employee turnover rate by age group				
	Age below 30	%	45.10	14.29
	Age 30-39	%	17.86	23.93
	Age 40-49	%	20.61	19.72
	Age 50-59	%	8.90	4.97
	Age above 60	%	19.23	9.26
Employee turnover rate by region				
	P.R. China	%	17.85	12.77
	Hong Kong	%	21.43	6.25

The number and rate of work-related fatalities and lost days due to work injury of the Group in 2020 are summarized in Table 7 below.

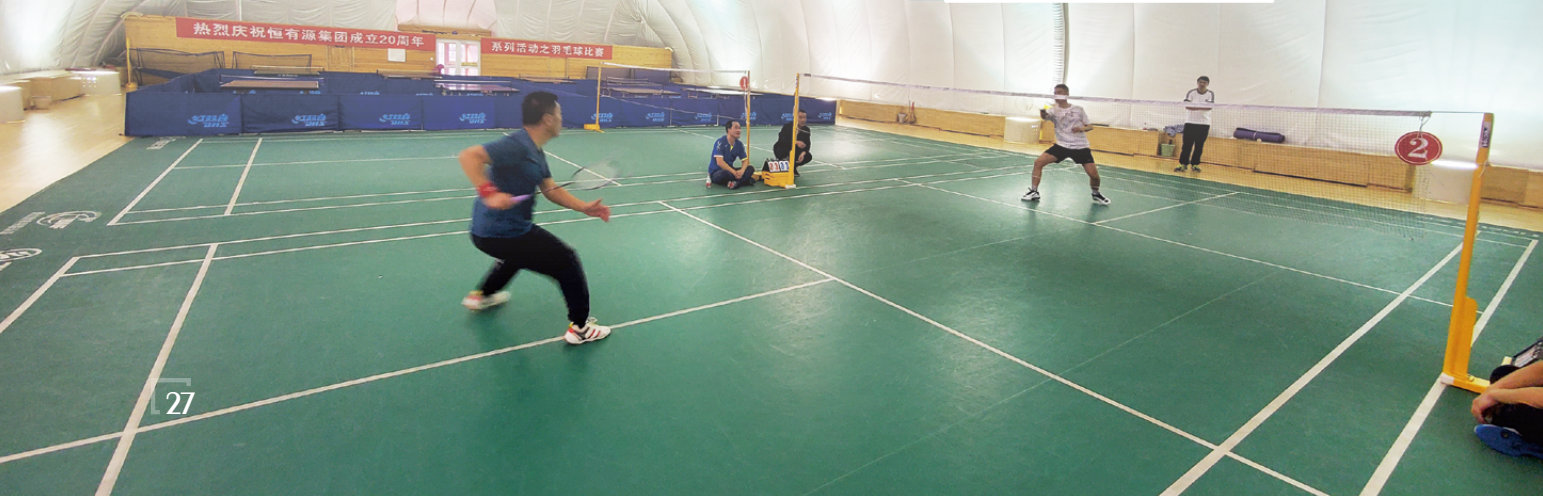
Table 7: Information about the number and rate of work-related fatalities and lost days due to work injury

KPI		Unit	2020	2019	2018
B2.1	Number and rate of work-related fatalities	No. of staff/%	0	0	0
B2.2	Lost days due to work injury	Days	80	0	0

► Promotion and construction of corporate culture

The Group actively promotes the construction of corporate culture and the dissemination of the Company's core values among management levels. Through various trainings and cultural activities for employees, it strengthens employees' sense of responsibility, crisis awareness and team awareness, so that every employee has become a carrier and practitioner of corporate culture.

At the end of 2020, a series of activities celebrating the 20th anniversary of the founding of HYY Group, a wholly-owned subsidiary of the Company, came to a successful conclusion. More than 10 activities in the four categories, such as sports, literature and arts, talent shows and public welfare not only add a lot of beautiful scenery to the 20th anniversary celebration series, but also enhance the communication among the subsidiaries and departments of China Geothermal, and strengthen the employees' sense of honor and mission and improve the cohesion of the Group itself which can promote the construction of the Group's corporate culture for the good development track of the Group.



B2 Employees' health and safety

The Company 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 OHSAS18001 occupational health and safety management system and established a safety management system.

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, special personnel will be assigned to conduct safety inspections and random inspections, etc., and promptly rectify hidden safety hazards in order to ensuring production safety first and people-oriented. Regular safety inspections on the projects and all office area will be carried out which can effectively prevent from happening of all kinds of safety incidents.

In order to ensure the health and safety of employees' diets, the Company has its own canteen which has obtained food safety and sanitation permits in accordance with the food safety standards of the catering industry, and strictly performed physical examinations for the staff in the canteen, all of them would hold health certificates. During the pandemic, prevention measures on the number of seats and safe distancing are strictly implemented in the canteen to ensure the safety of employees when they dine-in.

At the beginning of 2020, the sudden spreading of the novel coronavirus epidemic across the world has seriously threatened the people's lives and safety, and also brought unprecedented challenges to the Company's operations. The Group actively followed the precautionary regulations and measures advocated by the local government where it operates, responded quickly to relevant calls and guidelines, and formulated and implemented the "HYY Emergency Plan for Epidemic Prevention and Control", which effectively protects the health and safety of all employees, and successfully prevents epidemics occurrence within the company, while also safeguarding the Company's operations and service guarantees to customers.

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 2020, 484 employees of the Group received 3,584 hours of training. The main training results in 2020 are as follows:

- (1) Organized training for new employees, which mainly included company introduction, study of employee handbook, safety education, etc., and 142 people have passed the examination, with a passing rate of 100%.
- (2) Organized all employees to participate in special online education and training on novel coronavirus epidemic prevention, garbage classification, etc., so as to increase awareness of prevention and control, promote green life, and cultivate a good working and living condition.
- (3) Organized fire safety knowledge, food safety and hygiene training, education and examinations, practical operation of firefighting facilities, escape drills and other related activities, with attendance of more than 160 person-times and the examination pass rate was 100%.
- (4) Organized engineering construction professionals, technical workers, refrigeration installation and maintenance personnel, electricians, welders and other special types of workers, pre-job training for important positions to meet the Company's production and work needs. 59 people have taken examinations and obtained certificates. The rate of employment with certificate reached 100%.

Information about the percentage of employees trained and the average training hours completed by gender, employee category in 2020 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	2020	2019
B3.1	The percentage of employees trained by gender			
	Male	%	78.83	79.83 *
	Female	%	21.17	20.17 *
	The percentage of employees trained by employee category			
	Senior Management	%	5.11	5.34 *
	Middle Management	%	13.14	13.28 *
	Non-management	%	81.75	81.38 *
B3.2	The average training hours completed per employee by gender			
	Male	Hours	7.05	7.19 *
	Female	Hours	9.14	6.05 *
	The average training hours completed per employee by category			
	Senior Management	Hours	9.64	10.73 *
	Middle Management	Hours	21.40	15.23 *
	Non-management	Hours	6.61	6.23 *

1. The reporting of the above training rate and average training hours is mainly based on the Appendix 3: Guidelines for Reporting Social Key Performance Indicators of How to Prepare an ESG Report issued by the Stock Exchange.

* The data for 2019 were uniformly adjusted according to the calculation formula used this year.

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 2020, 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.

Operation Management

B5 Supply Chain Management

In order to ensure stable product quality and provide customers with top-quality project engineering and services, the Company 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. 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 Company's special qualified supplier evaluation team for qualification evaluation. 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. The Company 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. The equipment, accessories and materials used by the Company are provided by qualified suppliers approved by the Company, and the Company regularly conducts random inspections on the performance of the purchased materials. The Company 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.

Table 9 Information about suppliers by geographical region

	KPI	Unit	2020	2019
B5.1	Number of suppliers by geographical region			
	P.R. China	No.	120	122

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 Company has set up a 24-hour hotline to accept customers' service requests, and 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. Our Company has carried out activities along this policy and achieved very good results. In 2020, 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.

► 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 to the outside.

► **Protection of intellectual property rights**

The shallow geothermal energy collection technology independently developed by the Company has obtained 29 invention patents and 15 new 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

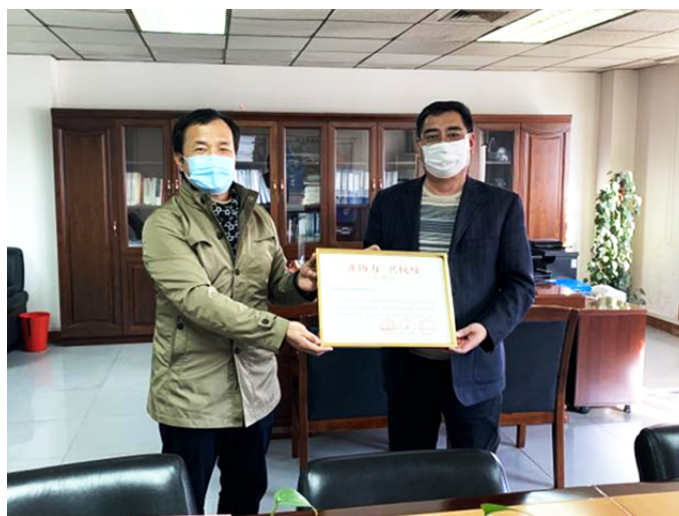
The Company strictly abides by the relevant anti-corruption and bribery laws, regulations and policies in the places where it operates, including "Anti-Corruption Law of the People's Republic of China", "Anti-Money Laundering Law of the People's Republic of China", and the Hong Kong "Anti-Bribery Ordinance", 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 2020, the Group had no violations of laws or disciplines, and no lawsuits related to corruption occurred throughout the year.

Regarding tender procurement that are 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 verbally or 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

At the beginning of March 2020, the Company's industrial headquarter, HYY Group donated anti-epidemic materials in the amount of approximately RMB100,000, such as traditional Chinese medicine sachets and tea substitutes to Sijiqing Nursing Homes, Sibolian Company, etc. so as to express our sincere condolences to the olds of Sijiqing Nursing Homes and local employees. Mr. Xue Yajun, chairman of the labour union of Sibolian Company and member of the general branch, delivered to HYY Group the town government's acceptance letter for the anti-epidemic supplies donated by HYY Group and a gratitude certificate for the anti-epidemic in recognition of the contribution made by the Group in the prevention and control of the epidemic.



The total cash donation of the Group in 2020 was approximately RMB 40,000.