

中國恒有源發展集團有限公司

CHYY DEVELOPMENT GROUP LIMITED

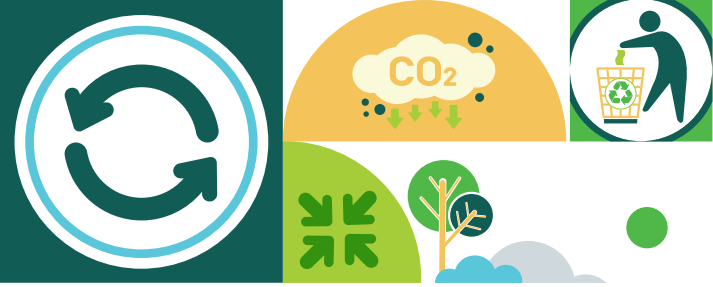
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8128

2024

**ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT**





CATALOGUE

01	ABOUT THIS REPORT	2
02	CHAIRMAN'S STATEMENT	4
03	ESG GOVERNANCE	6
04	STAKEHOLDERS' PARTICIPATION	8
05	MATERIALITY ASSESSMENT	10
06	SUMMARY AND HIGHLIGHTS OF ESG WORK IN 2024	12
07	AWARDS AND RECOGNITION	16
08	ENVIRONMENTAL RESPONSIBILITY	17
09	SOCIAL RESPONSIBILITY	35
10	OPERATION MANAGEMENT	49
11	REPORT DISCLOSURE INDEX	58





01 ABOUT THIS REPORT

CHYY Development Group LIMITED (the “Company”) together with its subsidiaries (collectively referred to as the “Group” or “we”) is pleased to present its ninth Environmental, Social and Governance (ESG) Report (the “ESG Report”) for the year ended 31 December 2024. This ESG Report outlines the Group’s management approaches, strategies, objectives, and performance in relation to ESG. The information disclosed in this ESG Report has been collected and compiled through various channels, including the Group’s internal policy documents and data, feedback on the implementation of ESG practices, and stakeholders’ surveys regarding the Group’s sustainability initiatives. This ESG Report is prepared in both Chinese and English and has been uploaded to the website of The Stock Exchange of Hong Kong Limited (the “HKEx”) (www.hkexnews.hk) and the Company’s website (www.chyy.com.hk). In case of any discrepancies between the Chinese and English versions, the Chinese version shall prevail.

Scope Covered

In defining the scope of this ESG Report, we carefully selected the entities to be included in the disclosures, taking into account the materiality of each entity’s revenue as a proportion of the Group’s total revenue for 2024. This ESG Report covers entities whose combined revenue accounted for over 90% of the Group’s total revenue in 2024. Additionally, employee-related data disclosed in this report is based on the Group’s total workforce as of 2024.

Compilation Basis

The content of this report is prepared in compliance with the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) set out in Appendix C2 to the GEM Listing Rules of The Stock Exchange of Hong Kong Limited, while also taking into account the key concerns of the Company’s stakeholders and the unique characteristics of its business operations.



Reporting Principles

This report has been prepared in accordance with the following fundamental principles:

Materiality Principle: The Company has identified key sustainability and ESG issues through a materiality assessment process that incorporated feedback from stakeholders regarding their concerns, interests, and expectations for sustainable development. The final materiality matrix results guided our focus on significant ESG topics, which are addressed in this report through disclosure of relevant policies, initiatives and performance.

Quantitative Principle: In compliance with the ESG Reporting Guide issued by The Stock Exchange of Hong Kong Limited, we have disclosed environmental and social data with measurable key performance indicators. The standards, methodologies, and assumptions used in the report have been clearly stated to ensure transparency.

Balance Principle: This report presents the Group's environmental, social and governance performance in an unbiased manner. We have avoided selective disclosures, omissions, or presentation formats that might unduly influence readers' decisions or judgments.

Consistency Principle: Unless otherwise stated, the statistical disclosure methodologies employed in this report are consistent with those used in the 2023 reporting period, ensuring comparability of data.

Approval and Release

This report has been approved by the Board of Directors of the Company and will be released in April 2025.

Feedback

The Company is committed to listening to our stakeholders' voices. Should you have any comments or inquiries regarding this ESG Report, please feel free to contact us through the following channels:

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Tel: +852 3753 9800
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02 CHAIRMAN'S STATEMENT

To our esteemed shareholders and stakeholders,

As China advances toward its “Dual Carbon” strategic goals, CHYY Development Group Limited, a global leader in comprehensive shallow geothermal energy heating solutions, remains committed to promoting efficient and clean heating through ground-source heat pumps in northern winters and developing emerging green industries integrating heating and cooling. We actively pursue the deep integration of Environmental, Social and Governance (ESG) principles into our operations.

After over 20 years of R&D innovation and practical application, we have successfully developed: The “Ground-Source Heat Pump Environmental System” for urban areas, The “Ground Source Heat Pump System” for rural households, and The “Ground Source Distributed Environment System”, which can be customized as needed. These systems have been standardized into complete product sets, including circulation systems, modular assemblies, and both self-manufactured and outsourced components. Building on this foundation, we are transitioning from a traditional project-based model to a regional partnership model, supporting local partners in establishing production and maintenance bases, providing proprietary products and technologies, guiding manufacturing processes, and ensuring reliable regional heating operations. This shift enables large-scale application and leapfrog development.

In northern China, winter building heating accounts for approximately 10% of the nation’s total energy consumption. Our high-efficiency, clean geothermal heat pump systems can achieve the same heating coverage as coal-based systems at comparable costs, while using only 50% of the energy consumption of fossil fuel-based heating to meet 100% of heating demand. This not only improves quality of life but also serves as a key enabler for the “Energy Production & Consumption Revolution” and the “Rural Lifestyle Revolution”. We remain dedicated to driving sustainable development through technological innovation and responsible business practices, contributing to a greener and more energy-efficient future.



We are delighted to observe the growing attention from government authorities and society at large toward high-efficiency, clean geothermal heating. Notable developments include: Beijing’s newly issued policy (Jing Cai Shui [2025] No. 66), which implements a reduced water resource tax rate of RMB0.8 per thousand cubic meters for heat pump users adopting HYY’s 100% re-injection single-well circulation heat exchange technology; The high-level expert seminar on the “Single-Well Circulation Geothermal Heat Pump Clean Heating Project” held in Dalian Xiaoyao Bay International Business District and Hutchison Whampoa’s (Yunan Bay) development, which garnered significant attention from industry stakeholders and was covered by CGTN International and other media outlets; The Company obtained the WasteWi\$e Certificate of the Hong Kong Green Organization Certification in 2024, and won the Best Energy Conservation and Carbon Reduction Action Award in the annual selection of the Hong Kong International Financial Forum and the Hong Kong International ESG List.

CHYY Development Group Limited will continue to lead with unwavering determination, steering the heating industry from the “Era of Combustion” into the “Era of Combustion-Free” solutions. By advancing high-efficiency, clean geothermal heat pump systems, we aim to replace fossil fuels and develop an integrated green heating-cooling industry, injecting sustainable momentum into the modernization of harmonious coexistence between humanity and nature !

Xu Shengheng, Liao Yuan

Co-Chairmen of the Borad





03 ESG GOVERNANCE

Statement of Board of Directors

As a responsible corporation, our Group is fully committed to addressing sustainability challenges and leveraging our influence to advance sustainable development agendas encompassing environmental and social issues. Regarding our Environmental, Social and Governance (ESG) performance, we firmly believe that establishing a robust governance framework is paramount. To ensure effective management, we have implemented a comprehensive management system across all business operations to identify, manage, and respond to sustainability-related risks and opportunities.

The Board of Directors assumes full responsibility for the Group 's ESG strategy and reporting. They oversee the formulation of ESG policies and targets and conduct annual reviews of ESG performance. To strengthen day-to-day management and implementation, we have established an ESG Working Team, which engages with stakeholders to identify material ESG issues for the Group. The team analyzes and evaluates feedback to assist in developing relevant policies and measures while monitoring their execution. Each department is responsible for integrating these policies and targets into daily operations to ensure alignment with our ESG commitments. Through this structured approach, we strive to uphold accountability, transparency, and continuous improvement in our sustainability journey.



ESG Governance Framework

Board of Directors

- To oversee the Group's environmental, social and governance management policies and strategies.
- Regularly review the Group's environmental, social and governance performance and progress to assess and manage risks and opportunities.

ESG Working Team

- To assist in the formulation and review of the Group's sustainable development goals, priorities and targets.
- To assist in the formulation of policies and measures to promote goals and targets.
- Monitor, review and evaluate the implementation of ESG related policies and practices.
- Evaluate the progress and performance of the company's ESG work and the effectiveness of its improvement plans.
- Report to the Board on ESG performance.

Management

- To implement the environmental, social and governance measures established by the Company in the departments under its management and in its day-to-day operations.
- To promote environmental, social and governance awareness in the departments under their management.





04 STAKEHOLDERS' PARTICIPATION

The Company firmly believes that the fundamental premise of an Environmental, Social and Governance (ESG) report lies in disclosing information that is both relevant and material to our stakeholders. As such, we actively seek engagement opportunities with both internal and external stakeholders to foster ongoing collaborative dialogue. Through diversified communication channels, we maintain multi-directional, consistent, and transparent exchanges to identify and understand their key ESG concerns. The Company remains committed to ensuring effective communication and nurturing strong relationships with each stakeholder group. We will continue to refine our stakeholder engagement approach to better address evolving expectations and sustain mutual trust in our ESG journey.

Stakeholders	Key Concerns/Expectations	Communication Channels
<p>Government and Regulatory Authorities</p>	<ul style="list-style-type: none"> - Abiding by laws and regulations - Support national development policies in the field of industry - Innovative development 	<ul style="list-style-type: none"> - Participate in meetings of government agencies and receive policy documents - Participate in the application of government-supported projects - Expert symposium - Accept supervision and inspection by government departments at all levels
<p>Investors/ Shareholders</p>	<ul style="list-style-type: none"> - Return on investment - Corporate governance - Business development 	<ul style="list-style-type: none"> - Shareholders' meetings, HKEx announcements - Company financial statements, annual reports, ESG reports, etc. - Company website

Stakeholders	Key Concerns/Expectations	Communication Channels
Employees	<ul style="list-style-type: none"> - Employee rights and benefits - Training and development - Occupational health and safety 	<ul style="list-style-type: none"> - Employee congress, employee handbook - Performance management mechanism - Various forms of training and promotion channels - WeChat group - Direct conversation
Customers	<ul style="list-style-type: none"> - Product quality and efficiency - Customer interest protection - Product stability, product maintenance and time effectiveness 	<ul style="list-style-type: none"> - Pre-sale, sale and after-sales service - Customer service center, 24-hour hotline, customer follow-up visit - Spring and autumn maintenance, satisfaction survey, etc
Suppliers	<ul style="list-style-type: none"> - Fair and open procurement - Win-win cooperation - Protect intellectual property rights - Enforcement of the contract 	<ul style="list-style-type: none"> - Comparison shopping - Select qualified suppliers - Supplier evaluation - Contract negotiation
Constructors	<ul style="list-style-type: none"> - Safe construction 	<ul style="list-style-type: none"> - Contract, security agreement - Regular inspection and random inspection





05 MATERIALITY ASSESSMENT

In order to identify the issues that stakeholders are most concerned about and to allow stakeholders to provide their opinions on our performance in sustainable development, we conducted a materiality assessment in the form of a questionnaire survey. We invited both internal and external stakeholders to express their views on the importance of ESG issues to the Group's operations, as well as to stakeholders' evaluations and decision-making. These important or relevant issues often change with the evolution of the business environment and stakeholders' expectations. Therefore, we regularly understand the demands of various stakeholders through multiple channels such as special questionnaire surveys, so as to identify the ESG issues that are important to both the Company and stakeholders in the current business environment.

The following is the detailed procedure for us to determine the material issues and the content of the report:

Step 1: Identification

Review ESG issues and identify a list of relevant potential ESG issues based on the importance of social, economic, and environmental issues to the industry in which the Company operates and the opinions of various departments within the Company.

Step 2: Assessment

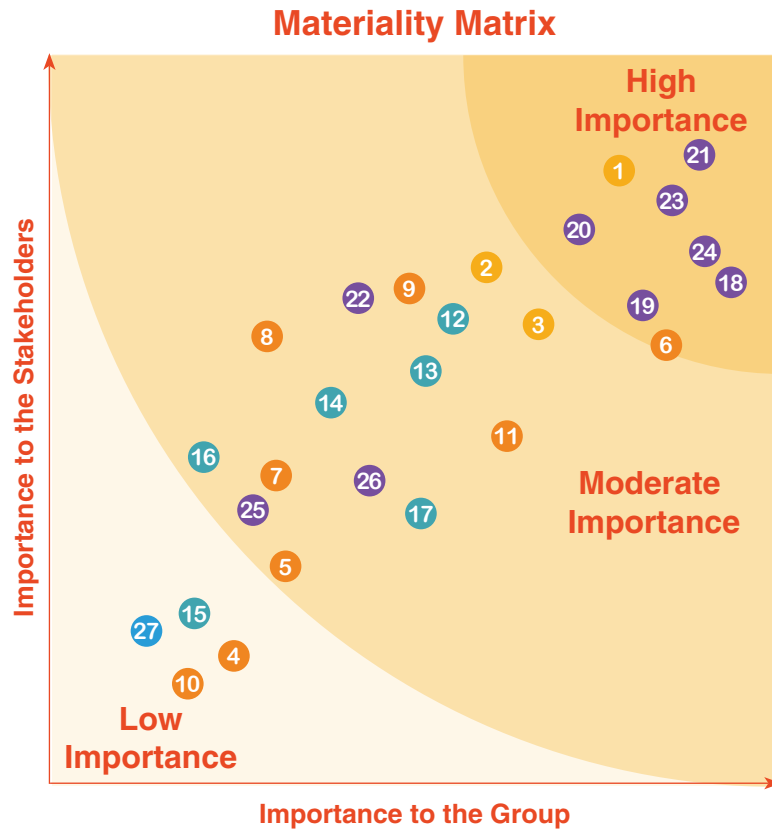
Collect the opinions and concerns of internal and external stakeholders regarding the importance of each issue, and understand the impact of each issue on the stakeholders themselves and its significance for the sustainable development of the Group.

Step 3: Confirmation

The ESG Working Team takes into account the results of stakeholder surveys and analyses, identifies substantive ESG issues, confirms them with the Group's management, ensures that the assessment results are in line with the Group's business characteristics and development status, and develops an action plan for more effective ESG management.



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



Corporate Governance	Employment	Environment	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



06 SUMMARY AND HIGHLIGHTS OF ESG WORK IN 2024

- **Clean Heating Projects:** In 2024, we operated 38 clean heating projects covering 1.484 million square meters, achieving an annual reduction of 45,200 tons of CO₂ emissions.
- **Green Medical-Care Projects:** The successful launch of our flagship Four Seasons Legend Medical Park Geothermal Heat Pump Project in 2024 expanded the application of our proprietary technologies in senior care facilities. This project supports green infrastructure development for Continuing Care Retirement Communities (CCRCs), driving deeper integration between healthcare services and sustainable development.
- On 1 December 2024, our subsidiary Ever Source Science & Technology Development Group Co., Ltd. led the formulation and release of the “Heating Heat Pump Unit” group standard. This standard will promote healthy, orderly development of heat pump heating in northern China, accelerate clean energy adoption and reduce carbon emissions. The initiative demonstrates our subsidiary’s pioneering role in advancing the clean heating industry.
- **Promote the standardized development of the green and low-carbon heat pump industry:** Ever Source Science & Technology Development Group Co., Ltd., a subsidiary of the Group, participated in the compilation of 2 local standards and 1 group standard. The new technical standards related to ground source heat pumps are expected to be released between 2026 and 2027.



- Our subsidiaries Ever Source Science & Technology Development Group Co., Ltd., Beijing Ever Source Geothermal Energy Heat Source System Company and Beijing Ever Source Geothermal Energy Heating and Cooling Technology Service Company have successfully renewed the following international certifications: ISO 9001 (Quality Management System, ISO 14001 (Environmental Management System), ISO 45001 (Occupational Health and Safety Management System). Additionally, Ever Source Science & Technology Development Group Co., Ltd. maintained its 5A-level Clean Heating Service Certification.
- Technology Innovation & Promotion: The Group drives green industry development through integrated heat pump system innovations by: applying modular system products, standardizing design and manufacturing, simplifying replicable installation processes, enhancing quality reliability, improving adaptability for broader application.
- Energy Conservation Measures: A variable frequency control was added to the geothermal energy collection circulation water pump in the Beijing office area, reducing the operating power consumption by 11,500 kWh, which effectively reduced energy consumption.
- Employee Development: Employees obtained an additional 45 professional certificates. The Group supports and pays attention to the development of its employees.



ESG Targets for 2025

- Based on 2024, we aim to reduce greenhouse gas emissions (Scope 1 and Scope 2) by 2% by 2025.
- Based on 2024, we aim to reduce electricity consumption by 3% by 2025.
- Based on 2024, we aim to reduce water consumption by 2% by 2025.
- Based on 2024, we aim to reduce gasoline consumption by 2% by 2025.
- In 2025, clarify and strengthen the recycling of waste paper with the target of achieving a recycling rate of over 85%.

Actions to Achieve Goals

- Solidly promote the development of the emerging green industry of efficient and clean heating with geothermal heat pumps in winter in northern regions and the integration of heating and cooling. Utilize low-temperature geothermal energy to replace traditional fossil fuels for heating, practice sustainable development, and pursue harmonious coexistence between humanity and nature, providing a low-carbon heating solution for society.
- Implementing the standardized and large-scale production of complete sets of heat pump system products can enable rapid installation and reduce the on-site construction time and emissions during the construction process.
- Exploring new energy integration technologies, such as combining heat pumps with solar thermal, energy storage, and hydrogen systems, to enhance energy supply continuity and reliability.



- Full implementation of China's GB19577-2024 standard "Minimum Allowable Values of Energy Efficiency and Energy Efficiency Grades for Heat Pumps and Chillers", significantly improving heat pump unit efficiency.
- Increasing R&D investment to develop environmentally friendly heat pump units using new refrigerants R290 and R32, driving technological innovation and application while improving energy efficiency.
- Continuous technical improvements and advanced equipment upgrades substantially enhance energy utilization efficiency. Professional thermal insulation for heating pipelines prevents heat loss during transmission.
- Real-time monitoring and adjustment of heating parameters through big data analytics and intelligent control systems ensure optimal heat supply matching actual demand, preventing excessive heating. Regular equipment maintenance guarantees system efficiency and stable operation.
- Promoting green procurement by collaborating with suppliers to prioritize eco-friendly materials and equipment, reducing environmental impact during production. We encourage suppliers to adopt similar environmental standards, fostering green supply chain development to minimize the industry's environmental footprint.
- Promoting behavioral energy-saving awareness for water and electricity facilities. Implementing zoned control for heating/cooling equipment with strict management of "only heating occupied rooms" and preventing overheating/overcooling to reduce energy waste through daily operations.
- Enhancing environmental education through regular training to raise employee awareness and skills. We encourage staff to adopt energy-saving practices (e.g., turning off unused heating equipment) and educate users on proper heating system operation to promote collective energy conservation.





07 AWARDS AND RECOGNITION



The Company has obtained the Wastewi\$e Certificate (Basic Level) of the Hong Kong Green Organization Certification



Ever Source Science & Technology Development Group Co., Ltd., a subsidiary of the Group, has been awarded a 5A-level certificate in the rating of clean heating enterprises organized and certified by the Clean Heating Industry Committee



Beijing Ever Source Geothermal Energy Heating and Cooling Technology Service Company, a subsidiary of the Group, has obtained the Capacity Grade Certificate for Maintenance and Installation Enterprises in the Refrigeration and Air Conditioning Industry of China (Category A, Grade II; Category D, Grade III)



Beijing Ever Source Geothermal Energy Heat Source System Company, a subsidiary of the Group, has obtained the Work Safety Standardization Certificate (Level 3)





08 ENVIRONMENTAL RESPONSIBILITY

Green Enterprises

As a green enterprise, we remain steadfast in our responsibility toward environmental protection. We are dedicated to promoting shallow geothermal energy as a clean alternative for heating and cooling, utilizing this renewable resource to achieve combustion-free, zero-emission operations in our service areas. By replacing traditional coal or electric heating systems, we significantly reduce associated emissions. Our mission is to advance this eco-friendly initiative, actively advocate for clean heating solutions, and contribute to pollution reduction, smog elimination, and the restoration of blue skies – all while promoting rational and efficient energy use. We persistently strive toward these goals to safeguard planetary health and improve quality of life.

Moving forward, we will leverage our strengths and innovative thinking to champion the replacement of polluting heating energy sources with clean alternatives for building climate control. In 2025, we will implement the following measures to enhance energy efficiency and waste reduction across our operations, thereby minimizing emissions from heating/cooling activities and further supporting environmental conservation.

The following sections detail our systematic energy-saving and waste-reduction measures and their demonstrated results. These initiatives aim to: improve heating/cooling system efficiency, reduce greenhouse gas and pollutant emissions, minimize ecological impact, accelerate the green energy transition.



1. Strict Implementation of Environmental Regulations & Promotion of Eco-Friendly Refrigerant Units

We will rigorously enforce corporate policies mandating the use of environmentally friendly refrigerant units. In 2025, all newly contracted projects will exclusively employ eco-friendly refrigerant units, phased replacement of restricted refrigerant units during equipment upgrades, systematic reduction in usage of restricted refrigerants and mandatory refrigerant recovery from decommissioned units prior to dismantling, with proper disposal per environmental regulations to minimize ecological impact.

2. Enhanced Operational Data Monitoring & Climate Compensation Optimization

In 2025, we will intensify data monitoring across operational projects, focusing on: indoor temperatures, supply/return water temperatures in heating/cooling systems, geothermal extraction side temperatures. Implementation measures: quad-daily data recording with monthly/quarterly analysis to identify usage patterns, dynamic adjustment of supply water temperatures based on forecasted outdoor conditions and optimized temperature settings to precisely match thermal/cooling demand.

3. Optimization of Low-Temperature Thermal Energy Collection System Flow Control for Energy Efficiency Improvement

For larger new projects, a secondary circulation system for geothermal energy acquisition is set up, and temperature monitoring is set on the primary side of the low-temperature heat source acquisition system. The operating number and operating frequency of the primary circulation pump are controlled by detecting the temperature, and the energy consumption of the primary circulation pump is reduced jointly by the operating number and frequency conversion. Temperature control is set on the secondary circulating pump to control the running frequency of the secondary circulating pump and reduce the energy consumption of the secondary circulating pump. On the premise of ensuring the stable operation of the unit, the low temperature heat energy collection amount is matched with the heating and cooling amount of the system, and the operation energy consumption of the low temperature collection side is reduced jointly.



4. Intelligent operation control system

It is planned to transform the group's operating projects and increase the intelligent operation control system. The system will automatically adjust the number and frequency of operation of the pump according to the user's cold and heat demand, reduce the operation power consumption by scientific and technological means, and achieve energy saving and emission reduction.

5. Increase investment in research and development to promote technological innovation

We will increase investment in research and development, research and development of more environmentally friendly new refrigerant R290, R32 heat pump units, promote the application of heat pump technology innovation, improve energy efficiency. At the same time, explore new energy coupling technologies, such as the combination of light and heat, energy storage, hydrogen energy and heat pump systems, to improve the continuity and reliability of energy source supply.

6. Business drives environmental protection and emission reduction actions

Promote the development of the emerging green industry of efficient and clean heating with geothermal heat pumps in winter in northern regions and the integration of heating and cooling. Replace traditional fossil fuels for heating with low-temperature geothermal energy, practice sustainable development, pursue harmonious coexistence between humanity and nature, and provide a low-carbon heating solution for society. Implement the standardized and large-scale production of complete sets of heat pump system products to achieve rapid installation and reduce the on-site construction time and emissions during the construction process. Fully implement the provisions of the national standard GB19577-2024 "Energy Efficiency Limit Values and Energy Efficiency Grades for Heat Pumps and Chiller Units", significantly improving the energy efficiency level of heat pump units.

We have taken a number of measures during the construction process to reduce the environmental impact. These measures include the control of air pollutants, water pollutants and solid waste, as well as the prevention and control of noise pollution. Through these integrated measures, we aim to minimize the environmental impact of the construction process.



Up to now, the Group has achieved good results in the promotion and operation of renewable energy alternative heating and cooling projects, including the promotion of renewable energy alternative heating and cooling projects totaling 21.5 million square meters, including central heating and cooling projects, household ground heating and cooling projects and household air heating projects. The operation of renewable energy alternative heating and cooling projects reached 1.5 million square meters, and the annual reduction of carbon dioxide emissions from clean heating was 700,000 tons. In 2024, 38 projects will be in operation, covering an area of 1.484 million square meters, and a total of 45,200 tons of carbon dioxide emissions from clean heating will be achieved annually.

Green operation

The Group has always implemented the concept of green development, and implemented systematic environmental protection measures in all aspects of project design, construction and operation through scientific planning, so as to minimize the impact on the ecological environment and natural resources, and realize the coordinated development of economic benefits and ecological benefits. In terms of project construction, the Group strictly follows the Regulations on Environmental Protection Management of Construction Projects, Evaluation Standards for Green Construction Projects, Guidelines for Green Construction, Dust Emission Standards for Construction Sites, and Environmental and Health Standards for Construction Sites, etc., and requires strict compliance with relevant construction regulations and standards during construction. The project will hold regular work meetings of “civilized construction and environmental protection”, implement the construction site environmental protection management inspection system, and strictly treat various emissions to reduce the impact on the surrounding environment. At the same time, the Group’s environmental protection policies, objectives and indicators will be formulated to achieve harmony between construction and environment and meet the requirements of environmental management standards.

Table 1 below mainly describes the control measures taken during the construction of various emissions and wastes, with the aim of minimizing the impact on the environment during the construction process.



Table 1: Prevention Measures During Construction

Type	Emission Source	Pollutant Name	Prevention and Control Measures
Air Pollutant	Construction Period	Raise Dust	<p>The main roads on the construction site are hardened. The exposed part shall be covered, the roads inside the construction area shall be sprayed with water and dust, and temporary and random disposal of earth shall be strictly prohibited.</p> <p>Closed transport vehicles engaged in earthmoving and construction waste transport shall be cleaned at the exit of the project site.</p> <p>For the ground energy collection drilling project, the special equipment for wellhead spray dust removal is added, and the dust removal equipment such as fog cannon is equipped in the field area.</p>
	Construction Period	Carbon Dioxide, Nitrous Oxide	The construction machinery uses electrical equipment, try not to use fuel equipment, to avoid pollutant emissions; When the use of fuel equipment cannot be avoided, use equipment that meets environmental requirements and has low emissions.
	Debugging Period	Hydrofluorocarbons	Refrigeration medium with low global warming potential (GWP) is used; All refrigeration media are filled before the equipment is produced to avoid leakage caused by the filling operation on the construction site. Before the demolition of the updated scrapped unit, the refrigerant inside is first recovered, and unified treatment is carried out in accordance with environmental regulations to reduce its impact on the environment.
Noise Pollution	Construction Period		<p>Construction personnel should be trained, construction should be civilized, and management of artificial noise should be strengthened.</p> <p>Strictly control the noise during equipment use. Construction should be carried out in accordance with the construction noise control measures, and avoid nighttime construction as far as possible.</p>
	Operating Period		The equipment in the equipment room should be sound-absorbing and noise-reducing, and the personnel on duty should be equipped with protective tools such as earplugs.



Type	Emission Source	Pollutant Name	Prevention and Control Measures
Water Pollutant	Domestic Sewage During Construction Period	CODCr BOD5 SS Ammonia Nitrogen	Facilities such as secondary sedimentation tanks are set up in the site to treat sewage, and after treatment, it is discharged into the municipal sewage network through the compliant sewage discharge facilities.
	Flush the Wastewater During Construction	SS	It is not allowed to discharge, set up a temporary sedimentation tank, and recycle it for dust suppression after treatment.
Solid Waste	Solid Waste During Construction	Construction Solid Waste	Solid waste shall be piled up separately and entrusted to qualified removal and disposal units for classified collection and disposal, and shall not be discarded at will. Hazardous solid waste shall be classified, closed and stored, and entrusted to the department of environmental sanitation for unified treatment. Strengthen the recycling of construction waste.
		Mud Waste	The mud pool is set up, and it is cleared by the sanitation department regularly. It is not discarded at will and disposed of reasonably.
		Domestic Garbage	Collect them by category and hand them over to the sanitation department for treatment. Do not throw them away at will and dispose of them reasonably.
Noise	Construction Machinery and Equipment		Reasonable arrangement of construction time to make Construction plan, the selection of low noise equipment and technology, strong noise machine closed operation.

In the course of our operations, we inevitably generate some direct or indirect air emissions. Direct air emissions mainly come from diesel fuel combustion of generators, drilling RIGS and other equipment used in the construction process, as well as refrigerants used in project maintenance services. Most of the refrigerants we use are environmentally friendly models, but some customers' equipment is still old models and cannot use environmentally friendly refrigerants, so non-environmentally friendly refrigerants are still used when providing maintenance services for them. In response to this situation, when we contact these customers, we will actively recommend and encourage them to change to environmentally friendly equipment to reduce the impact on the environment.



Green Office

The main consumption resources of the Group's daily office operations are electricity, water, petrol, natural gas, paper, etc. The Group is committed to operating in a more environmentally friendly and energy efficient manner and to advocating the environmental 6R principles:

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

The Group continuously encourages and promotes various measures to achieve energy conservation, recycling, and waste reduction, including:

- Enhancing internal environmental protection and emission reduction initiatives, strengthening energy-saving awareness for the Group's water and electricity facilities, and implementing behavioral energy-saving assessments for heating (cooling) equipment with zoned controls to reduce energy waste through daily management.
- Reducing standby time for office electronic and electrical appliances, advocating for turning off devices when not in use for extended periods.
- Optimizing lighting based on actual needs, ensuring lights are turned off when leaving, and eliminating the phenomenon of lights remaining on in unoccupied offices.
- Sorting and disposing of recyclable items appropriately.
- Purchasing energy-efficient certified products, gradually phasing out low-efficiency equipment and products, and replacing them with new energy and energy-saving alternatives.



- The Group encourages adjusting air conditioning usage according to actual weather conditions, avoiding excessively low or high temperature settings that lead to energy waste. In mild weather, opening windows for natural ventilation is encouraged as an alternative to air conditioning.
- Conserving paper by minimizing printing, using double-sided printing when necessary, and reusing single-sided printed waste paper.
- Educating employees on water-saving practices to raise awareness, ensuring taps are tightly closed when not in use. The Group utilizes water-saving fixtures and promptly repairs leaks to prevent waste.
- Using durable tableware and avoiding disposable items whenever possible.
- Repairing damaged appliances or items to reduce waste.
- Encouraging employees to use public transportation for commuting.
- Planting numerous trees within office campuses and encouraging employees to grow small indoor plants to help reduce emissions and improve air quality.

A1. Emissions

The Group has always placed environmental protection at the core of its corporate development and firmly practiced the concept of green development. We strictly abide by national laws and regulations such as the Law on the Prevention and Control of Air Pollution, the Law on the Prevention and Control of Water Pollution, the Law on the Prevention and Control of Environmental Pollution by Solid Wastes, and the Environmental Protection Law. At the same time, we actively implement local regulations such as the Regulations on the Prevention and Control of Air Pollution in Beijing Municipality and the Regulations on the Prevention and Control of Environmental Pollution by Solid Wastes in Beijing Municipality, integrating environmental protection responsibilities into every aspect of our corporate operations. Guided by the principle of green development, we fulfill our ecological responsibilities with practical actions, are committed to protecting the clear waters and blue skies, contribute solidly to building a better homeland, and promote the harmonious coexistence between humanity and nature.



In 2024, the Group's air pollutants A1.1 (including sulfur oxides (“SOx”), nitrogen oxides (“NOx”), and suspended particles (“PM”)) mainly came from official vehicles. Specifically, the Group's emissions of sulfur oxides, nitrogen oxides, and suspended particle gases were approximately 140 kilograms, 140 kilograms, and 70 kilograms respectively. The indices for sulfur oxides, nitrogen oxides, and suspended particles decreased compared to 2023. The Group implemented the following three measures: Firstly, since 2024, employees have been encouraged to give priority to public transportation for official trips, thereby reducing the use of official vehicles; Secondly, the operation of diesel-powered drilling machinery has been reduced, thus lowering the energy consumption of gasoline and diesel; Finally, the canteen has been closed, and by providing meal allowances to employees, the usage of natural gas has been effectively reduced.

In 2024, the Group's greenhouse gas emissions A1.2 mainly came from the combustion of fossil fuels and electricity consumption. The total greenhouse gas emissions in Scope 1 (direct emissions) and Scope 2 (indirect emissions from energy) were approximately 14 metric tons of carbon dioxide equivalent and 715 metric tons of carbon dioxide respectively, which are lower than those in 2023. The total greenhouse gas emissions of the Group were approximately 729 metric tons, and the emission intensity was 0.0107 metric tons of carbon dioxide equivalent per thousand Hong Kong dollars of revenue. In addition, no significant amount of hazardous waste was recorded during the review period.



An overview of the Group's total emissions in 2024 is presented in Table 2 below.

Table 2: Summary of the Group's Emissions Information

Category		Unit	2024	2023
A1.1 Air Emission				
Nitrogen Oxides (NOx)	Amount	Kg	140	320
	Intensity	Kg/HKD'000 Revenue	0.0020	0.0047
Sulfur Oxides (SOx)	Amount	Kg	140	320
	Intensity	Kg/HKD'000 Revenue	0.0020	0.0047
Suspended Particles (PM)	Amount	Kg	70	160
	Intensity	Kg/HKD'000 Revenue	0.0010	0.0024
A1.2 Greenhouse Gas Emission				
Scope 1 (Diesel, Natural Gas, Gasoline, Refrigerant)	Amount	Carbon Dioxide Equivalent (Tons)	14	35
	Intensity	Kg/HKD'000 Revenue	0.0002	0.0005
Scope 2 (Electricity)	Amount	Carbon Dioxide Equivalent (Tons)	715	748
	Intensity	Kg/HKD'000 Revenue	0.0102	0.0110



Category		Unit	2024	2023
A1.3 The Hazardous Waste Produced				
Battery	Amount	Pcs.	60	50
	Intensity	Pcs./HKD'000 Revenue	0.0009	0.0007
Fluorescent Tubes	Amount	Pcs.	60	40
	Intensity	Pcs./HKD'000 Revenue	0.0009	0.0006
Toner Cartridges	Amount	Pcs.	10	12
	Intensity	Pcs./HKD'000 Revenue	0.0001	0.0002
A1.4 The Non-hazardous Waste Generated				
General Solid Waste (Delivery to Landfills)	Amount	Tons	18	26
	Intensity	Tons/HKD'000 Revenue	0.0001	0.0001
Paper	Amount	Kg	654	1,788
	Intensity	Kg/HKD'000 Revenue	0.0150	0.0150

The reporting of the above data in relation to air 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.



A1.5 2025 Emission Targets and Related Measures

In 2024, the Group's greenhouse gas emissions were lower than those in the same period of 2023. This reduction was achieved by decreasing the use of buses and diesel-powered drilling machinery during the construction of the Ground Source Heat Pump System, leading to a corresponding decline in emissions. The emission target for 2025 is set at a 2%-5% reduction compared to 2024 levels. The key measures include:

1. Encouraging the use of public transportation for business trips – Reducing bus usage among Group employees to lower fuel consumption and, consequently, greenhouse gas emissions.
2. Electrification of construction machinery – Gradually replacing existing fuel-powered machinery with electric alternatives to minimize fuel consumption during construction and reduce emissions.
3. Exploring the installation of photovoltaic (PV) power generation facilities on office buildings – Assessing the feasibility of equipping rooftops of office buildings, warehouses, and other structures with solar PV systems to offset part of the current municipal electricity consumption. By maximizing the use of green solar power, emissions can be further reduced.

A1.6 Management of Hazardous and Non-Hazardous Waste

The hazardous wastes generated by the Group include batteries, fluorescent tubes, and toner cartridges. In 2025, the management of the above-mentioned wastes will be strengthened. The Group will adopt unified procurement, implement strict issuance procedures, recycle the replaced items, and hand over the recycled items to professional disposal groups for treatment. At the same time, the control of the usage quantity will be enhanced. Specifically, the usage of batteries and fluorescent tubes will be reduced by 5% compared to 2024, and the usage of ink cartridges will also be decreased by 5% compared to 2024.

For non-hazardous wastes of the paper type, double-sided printing will be adhered to for informal documents, and the application of electronic documents will be increased to jointly reduce the consumption of paper. The paper usage will be reduced by 5% compared to 2024.



A2. Use of Resources

In 2024, the Group primarily consumed electricity, gasoline, diesel, water, and paper. Due to the nature of its business operations, the Group did not involve the use of any packaging materials during the reporting period. To efficiently manage resource consumption, the Group has assessed the long-term sustainability of its energy and resource usage practices. We are committed to adopting methods that significantly reduce environmental impact while continuously promoting an energy-saving culture and implementing corresponding measures.

The Group's use of resources in 2024:

1. Step 1: Identify waste generation sources and mechanisms
2. Step 2: Develop effective measures to control and reduce waste emissions
3. Step 3: Strengthen awareness campaigns, employee training, and control methods
4. Step 4: Conduct result analysis and identify improvement opportunities

The total direct and indirect energy consumption of the Group in 2024 is summarized in Table 3 below.



Table 3: Overview of the Group's Resource Use Information for 2024

Category		Unit	2024	2023
A2.1 Total Direct and Indirect Energy Consumption by Type				
Diesel Oil	Amount	Litre	1,008	7,233
	Intensity	Litre/HKD'000 Revenue	0.107	0.107
Gasoline	Amount	Litre	5,333	6,046
	Intensity	Litre/HKD'000 Revenue	0.089	0.089
Natural Gas	Amount	M ³	0	1,212
	Intensity	M ³ /HKD'000 Revenue	0	0.018
Total Indirect Energy Consumption	Amount	kWh	634,176	659,942
	Intensity	kWh/HKD'000 Revenue	9.725	9.725
A2.2 Water Consumption				
Water	Amount	Tons	2,683	13,870
	Intensity	Tons/HKD'000 Revenue	0.204	0.204

1. Reporting on the use of resources above is mainly based on the “How to Prepare Environmental, Social and Governance Reports” issued by the Stock Exchange – Appendix 2: Guidelines for reporting on Environmental Key Performance Indicators.
2. The water consumption is mainly calculated in Beijing office, while the water consumption of the Hong Kong office is controlled by the building property management company. There is no water meter installed, so the water consumption data cannot be provided.



A2.2 Results of Resource Usage Conservation Measures in 2024

In 2024, the Group achieved remarkable results in resource usage. The consumption of both paper and water decreased significantly, with a reduction rate of over 60% for each.

In terms of energy consumption, due to the decrease in the Group's engineering projects, the amount of drilling construction dropped substantially. In 2024, diesel consumption was mainly for the construction of geothermal energy collection wells by mechanical means. According to statistics, only 2 geothermal energy collection wells were completed in 2024 (using diesel-powered machinery), while 16 wells were completed during the same period in 2023. Therefore, the diesel usage decreased significantly.

In terms of office resource conservation, the Group significantly reduced paper consumption by changing some meetings to video conferences and establishing WeChat groups for work notifications. At the same time, the Group continued to implement the centralized office model, reducing the usable area of the office space. This, in turn, lowered the electricity consumption for lighting and air conditioning, further reducing the overall power consumption. Moreover, the Group strengthened the education of employees' environmental protection awareness, making the concept of conservation and environmental protection deeply rooted in people's hearts. In addition, through strict management and control measures, the Group further achieved effective control and reduction of resource usage.

A2.3 Energy Efficiency Targets and Action Plans for 2025

In 2025, the Group will implement additional measures to achieve an annual 1–5% reduction in water, electricity, and fuel consumption.

Specific energy-saving measures include:

1. Promoting the use of water-saving and energy-efficient environmental protection equipment in office areas.
2. Increasing centralized office arrangements to reduce the actual area of office space used.
3. Prioritizing the selection of energy-saving and environmentally-friendly equipment during the design phase of engineering projects.
4. Actively reducing document printing by encouraging electronic archiving and minimizing unnecessary paper documents to conserve paper consumption.



A2.4 Water Conservation Measures

The Group's water consumption in 2024 decreased by 80% compared to the same period last year. The main reason for this is that after the canteen was closed, the water usage dropped significantly. To further promote water-saving measures, the Group plans to adopt energy-saving and environmentally friendly water-using equipment in the office areas in 2025, and strengthen the promotion and requirements of energy conservation and consumption reduction among employees. In addition, during the construction process, water-saving measures such as setting up sedimentation tanks and recharge systems will be implemented to further improve the utilization efficiency of water resources.

The Group is committed to promoting shallow geothermal energy as an alternative energy source for heating (and cooling). By utilizing the recyclable shallow geothermal energy, it achieves no combustion and zero emissions in the heating areas, thus significantly reducing the emissions generated by traditional direct heating with coal or electricity. Our office premises in Beijing have adopted the single-well circulation heat exchange geothermal energy collection technology, which enables the shallow geothermal energy to provide heating and cooling for the office building. During the operation of this system, groundwater is used as the circulation medium to efficiently and safely collect shallow geothermal energy, and it ensures that 100% of the circulating water is recharged, achieving the goal of extracting heat without consuming water and causing no pollution to the groundwater. Through controlling the operation mode of the system, we can precisely adjust the circulating water volume of the groundwater. While meeting the heating and cooling needs of the building, we reduce the usage of groundwater. By 2025, we will further optimize the control of the groundwater circulating water volume, and adopt measures such as intermittent operation during holidays and timed operation at night to further reduce the groundwater circulation volume, so as to achieve the conservation and efficient utilization of water resources and promote the rational allocation and sustainable development of water resources.

A2.5 Total Packaging Materials Used in Finished Products

As the Group's core business is installation engineering, we do not involve any packaging materials for finished products.



A3. The Environment and Natural Resources

The Group specializes in utilizing shallow geothermal energy to provide building heating, achieving zero combustion and zero emissions in northern China's heating regions. Our ground-source heat exchange technology extracts low-grade renewable shallow geothermal energy as an alternative to conventional heating, ensuring no pollution to groundwater or the environment, 100% re-injection of circulating water, preserving water resources.

Projects using the Group's system products will greatly reduce the consumption of natural resources such as coal and natural gas during use, while reducing the emission of related waste and reducing the impact on the environment during the operation of the project.

The Group's business promotion process and related project implementation activities will produce a certain amount of domestic sewage and waste gas emissions, but only during the construction process of related projects, and the related emissions are relatively small. Although the amount of discharge is small, we also implement the relevant strict discharge regulations. For the relevant sewage, the Group requires that the sewage must be treated by facilities such as secondary sedimentation tanks at the site, and then discharged to the municipal sewage network through the compliant sewage discharge facilities. For the relevant exhaust gases, the Group requires the use of equipment with low emissions that meet environmental protection requirements, and the purification treatment of exhaust gases to meet the emission standards stipulated by the state before discharge. In addition, the Group gradually increases the use of electric and gas equipment for construction machinery and equipment, and tries not to use fuel equipment to avoid exhaust emissions and further reduce the impact on the environment.



A4. Climate Change

As a fundamental element of human existence, climate change exerts profound impacts on both natural ecosystems and socioeconomic systems. Global warming has already affected ecosystems worldwide. Through scientific analysis and research from domestic and international experts, the Group actively monitors climate change impacts on the heating industry to optimize business strategy and operations. By applying “climate compensation” theory and utilizing weather forecast data, we dynamically adjust equipment parameters to maximize efficiency while reducing energy consumption.

1. Physical Risks

The frequency and intensity of extreme weather events such as typhoons and heavy rains are increasing.

- It may lead to damage to equipment and buildings, increasing maintenance costs;
- It may disrupt the supply of electricity and water resources, affecting business operations;
- It may interfere with transportation services, resulting in unstable material supply and price fluctuations.

2. Transition Risks

Tighter environmental regulations and standards may lead to:

- Higher upfront costs for eco-friendly materials in new projects;
- Retrofitting expenses for outdated equipment (e.g., non-compliant refrigerants).

3. Market & Competitive Risks

- Shifting customer preferences toward green solutions;
- Policy-driven market uncertainties.

The Group recognises the long-term risks of climate change and is committed to analysing and identifying these risks and their potential impacts. To enhance our resilience, we will conduct climate scenario analysis, identify physical and transition risks, and adapt strategies. We have taken actions to address transformation risks, including regularly monitoring the environment and product markets, ensuring compliance with customer and regulatory requirements, implementing resource conservation measures, exceeding compliance standards, and enhancing investor and stakeholder confidence. While extreme weather, environmental regulatory changes and customer preferences are not expected to have a significant impact on operations, we will continue to monitor climate-related risks and take steps to mitigate potential physical and transition risks.





09 SOCIAL RESPONSIBILITY

B1 Employment

The Group regards talent as a valuable asset and considers it the core driver for ensuring the Group's success and achieving sustainable development. We advocate for equality in personality, encourage healthy competition in personal development, and uphold the principles of diversity, harmony, and openness, while strictly complying with the labor laws and regulations in the jurisdictions where we operate. This includes Hong Kong's Employment Ordinance, Mandatory Provident Fund Schemes Ordinance, Minimum Wage Ordinance, and Occupational Safety and Health Ordinance, as well as mainland China's Labor Law of the People's Republic of China, Labor Contract Law of the People's Republic of China, and other relevant legal provisions.

To implement these requirements, the Group has established internal policies and detailed implementation rules in accordance with the law, including the Human Resource Management Measures, Personnel and Compensation Management Measures, Employee Handbook, Employee Leave Policy, and Attendance Management System. These policies are regularly reviewed and updated to ensure ongoing compliance with legal regulations and the Group's developmental needs.

Compensation and Dismissal

The Group has established policies such as the Employee Handbook and Human Resource Management Standards Compendium. Employee compensation levels are determined based on market salary benchmarks, taking into account factors such as job grade, experience, skills, and performance. Each year, outstanding employees are recognized and rewarded for their exceptional contributions.

Termination of employment contracts is strictly handled in accordance with the internal Dismissal Management Policy and all relevant laws and regulations, ensuring that all actions are based on reasonable and lawful grounds. The Group strictly prohibits the dismissal of employees through any unlawful or unjust means.



Recruitment and Promotion

The Group is committed to providing equal employment and promotion opportunities to all qualified individuals, based on merit and talent. We oppose discrimination and do not use factors such as race, color, religion, national origin, disability, gender, age, or marital status as criteria for screening or rejecting candidates. All applicants must undergo a rigorous selection process before formal employment, including professional skill assessments, comprehensive competency tests, and interviews with hiring managers.

For employee promotions, the Group follows market standards and business development needs, offering fair advancement opportunities to qualified employees who demonstrate outstanding performance and significant contributions to the Group.

Working Hours and Rest Periods

The Group complies with applicable local regulations, including China's State Council Regulations on Working Hours for Employees and Hong Kong's Employment Ordinance, to ensure reasonable working hours and leave entitlements for its employees. Each employee's working hours are clearly stipulated in their employment contract. To monitor working hours, the Group has implemented an Attendance Management System. In addition to the statutory paid annual leave and public holidays mandated by local authorities, employees are entitled to additional leave benefits, such as marriage leave, maternity leave, and compassionate leave.

Equal Opportunities and Anti-discrimination

The Group is committed to promoting equal opportunities in employment and opposing all forms of discrimination, ensuring fairness in recruitment, compensation, promotion, and career development. The Group strictly complies with relevant laws and regulations, including Hong Kong's Sex Discrimination Ordinance, Disability Discrimination Ordinance, and Race Discrimination Ordinance, as well as mainland China's Labor Law, Labor Contract Law, and Law on the Protection of Women's Rights and Interests. Through our Diversity and Inclusion Policy, we foster a respectful and inclusive workplace. Regular training programs are conducted to enhance employees' awareness of anti-discrimination and equal rights, supporting their holistic development and reinforcing the Group's commitment to corporate social responsibility.



Diversification Policy

The Group has adopted a Board Diversity Policy, which defines the objectives and specific approaches for achieving and maintaining board diversity. In accordance with this policy, we are committed to ensuring that our board members possess the appropriate skills, professional expertise, and diverse perspectives required to support the implementation of our business strategy. When selecting director candidates, multiple diversity factors are comprehensively considered, including but not limited to skills, professional experience, educational background, knowledge, expertise, cultural background, independence, age, and gender. During the reporting period, the gender composition of the Board consisted of 7 male directors and 2 female directors (decreasing to 1 by the end of the period). Furthermore, we implement diversity principles in our daily recruitment of employees, including senior management personnel.

Other Benefits and Welfare

The Group strictly complies with government regulations by establishing a comprehensive social security system for employees who have signed labor contracts with the Group or its mainland subsidiaries. This system includes pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, and statutory housing provident fund contributions.

For employees of our Hong Kong company, we have established a Mandatory Provident Fund Scheme in accordance with local requirements, supplemented by medical insurance and labor insurance coverage. Hong Kong employees also enjoy benefits such as meal allowances.

All employees receive festival subsidies and meal allowances during national statutory holidays. In cases of significant events such as employee illness, critical illness of family members, or maternity leave for female employees, the Group's labor union, in coordination with department heads and the HR department, conducts visits to express condolences and provides tailored assistance based on individual circumstances. Special cases are reviewed at the Group's management meetings to determine appropriate support. Employees are eligible for a one-time bereavement allowance from the Group in the event of the passing of a spouse, parent, child, or parent-in-law, with the labor union responsible for condolences and disbursement.

To strengthen internal communication, enhance cohesion, and improve employee satisfaction, the Group regularly organizes recreational, sports, tourism, and social activities to enrich employees' work-life experience.



The Group's employment by sex, type of employment, age group and region for the year 2024 is summarized in Table 4 below:

Table 4: Summary of Employee Information by Gender, Type of Employment, Age Group, Region

	Index	Unit	2024	2023
B1.1	Total Number of Employees by Gender			
	Male	No. of Employees	156	176
	Female	No. of Employees	37	42
	Total Number of Employees by Type of Employment			
	Full-time	No. of Employees	171	193
	Part-time	No. of Employees	22	25
	Total Number of Employees by Age Group			
	Age below 30	No. of Employees	1	6
	Age 30-39	No. of Employees	27	35
	Age 40-49	No. of Employees	48	48
	Age 50-59	No. of Employees	80	86
	Age above 60	No. of Employees	37	43
	Total Number of Employees by Region			
	Mainland China	No. of Employees	175	194
	Hong Kong	No. of Employees	18	24



The Group's turnover rates by sex, age group and region for 2024 are summarized in Table 5 below:

Table 5: Summary of Employee Turnover Rates by Gender, Age Group and Region

	Index	Unit	2024	2023
B1.2	Employee turnover rates by Gender			
	Male	%	17.89	25.42
	Female	%	15.90	25.00
	Employee Turnover Rate by Age Group			
	Age below 30	%	75.00	14.29
	Age 30-39	%	6.90	20.45
	Age 40-49	%	12.73	20.00
	Age 50-59	%	13.04	23.89
	Age above 60	%	31.48	36.76
	Total Number of Employees by Region			
	Mainland China	%	17.84	27.07
	Hong Kong	%	14.29	7.69



B2 Health and Safety

The Group attaches great importance to safe operation and regards safe operation as the lifeline of enterprise development. With a high sense of responsibility and mission, comprehensively and deeply abide by and implement relevant national laws and regulations such as the People's Republic of China Safety Production Law, the People's Republic of China Fire Protection Law, the Regulations on Industrial Injury Insurance, the Law on the Prevention and Control of Occupational Diseases of the People's Republic of China, emphasizing that the main person in charge of each branch is the first person responsible for safety, requiring them to be sure to take safety work as the primary responsibility. From the organizational structure, personnel allocation to the implementation of the system and other aspects, effectively assume the responsibility of ensuring security.

To promote the standardization and systematization of safety management, the Group has established a comprehensive Safety Management System that covers all aspects of operational safety, including daily safety operating procedures and emergency response protocols, with clearly defined regulations and processes. Furthermore, the Group has created the dedicated position of Chief Safety Officer (CSO), who oversees and inspects all safety-related activities. The CSO conducts regular evaluations and provides guidance on safety management across all subsidiaries to ensure the effective implementation of safety protocols at every operational level. This structured approach reinforces our commitment to maintaining the highest safety standards throughout the organization.

In safeguarding employee rights and interests, the Group strictly complies with national regulations by fully contributing to statutory insurance programs including medical insurance and work injury insurance for all employees, effectively addressing their welfare concerns. The Group has obtained ISO 45001 Occupational Health and Safety Management System certification, establishing a comprehensive safety management framework that provides employees with a safer and healthier work environment. To thoroughly implement the Work Safety Law of the People's Republic of China (adopted at the 29th Meeting of the Standing Committee of the 13th National People's Congress on 10 June 2021, and effective from 1 September 2021), the Group consistently organizes training seminars on relevant laws and regulations. As a production and operation entity, the Group maintains an open attitude by encouraging employees to provide work-related suggestions and feedback. We have institutionalized occupational safety training as a regular practice, continuously strengthening workplace safety education to ensure sustainable operational safety standards.



In terms of safety protection measures, the Group has developed comprehensive, customized safety protocols tailored to the specific requirements of each position and job function. We regularly distribute nationally certified personal protective equipment (PPE) to all employees. For staff engaged in outdoor operations under high-temperature conditions, the Group implements multiple protective measures: annual summer heat allowance payments in accordance with regulations. Provision of heatstroke prevention medications. Scientifically adjusted working schedules to avoid prolonged exposure during peak temperature hours. Mandatory cooling breaks in shaded rest areas. These measures form part of our systematic approach to safeguarding employees' physical health and occupational safety.

In light of the specialized nature of the Group's operations, every construction project is required to execute a Safety Responsibility Agreement and Safety Protocol with installation contractors prior to commencement, clearly defining the rights and obligations of all parties concerning safety management. During project execution, the Group implements a rigorous safety supervision system featuring: Deployment of experienced full-time on-site safety officers; Strict enforcement of subcontractor compliance with regulatory requirements for safety personnel allocation. The safety management personnel conduct daily meticulous inspections of temporary construction electricity usage, work-at-height operations, and personal protective equipment to promptly identify and eliminate potential safety hazards. During critical construction phases, safety supervisors must maintain continuous on-site supervision to ensure strict compliance with safety regulations. Upon identifying any safety issues, immediate rectification notices are issued requiring responsible parties to complete corrections within stipulated timeframes, with follow-up verification conducted to ensure thorough resolution. Additionally, the Group organizes specialized personnel to conduct regular safety inspections and unannounced spot checks at all operational projects and warehouses, implementing timely corrections for any identified risks, consistently upholding the "people-oriented, safety-first" production philosophy throughout all operations.



The number and rate of work-related deaths and the number of working days lost by the Group in 2024 are summarized in Table 6 below:

Table 6: Summary of Information on Work-related Fatalities and Rates and Lost Days Due to Work Injury

Index		Unit	2024	2023	2022
B2.1	Number and Rate of Work-related Fatalities	No. of Employees/%	0	0	0
B2.2	Lost Days Due to Work Injury	Day	32	91	132

B2.3 Occupational and Safety Measures

1. Provision of Necessary Protective Equipment and Facilities

Based on the working environment and potential risks associated with each position, the Group provides employees with nationally certified personal protective equipment (PPE), including safety helmets, protective gloves, safety goggles, etc. Regular inspections are conducted to monitor the usage of protective gear, with timely replacement of worn or expired equipment to ensure optimal protection effectiveness at all times.

2. Optimization of Working Environment

The Group implements scientific layouts for production workshops, office areas, and other workspaces to ensure proper ventilation, adequate lighting, and effective reduction of noise, dust, and other pollutants. Regular environmental monitoring is performed, including air quality and noise level assessments, with immediate corrective measures taken for any non-compliant conditions.



3. Establishment of Safety Operating Procedures and Regular Safety Education and Training

Detailed and user-friendly safety operation manuals are developed for each position, clearly outlining operational steps and precautions. The Group organizes specialized safety operation training and educational programs on a regular basis to enhance employees' safety awareness, ensuring that all staff members are thoroughly proficient in operational standards before assuming their duties.

4. Scheduled Employee Exercise Time

To comprehensively improve employees' occupational health, the Group has implemented a health management program that allocates 30 minutes of dedicated exercise time for employees each day. This initiative not only demonstrates our deep commitment to employees' physical and mental well-being but also provides strong support for their long-term career development. Through scientific planning and rational arrangement, we ensure every employee has adequate opportunities for physical activity during work hours, effectively alleviating work-related stress, enhancing physical fitness, and improving work efficiency.



B3 Development and Training

The Group strengthens its professional capabilities across all business segments by recruiting top-tier talent, continuously building a pipeline of future leaders, and establishing a multi-level talent structure. We actively promote a learning-oriented organizational culture that emphasizes continuous development, while implementing targeted employee training and strategic deployment programs with a focus on cultivating project management and technical specialists. Recognizing that human capital is our most valuable asset, the Group facilitates close integration between individual career growth and organizational development through pre-employment training, on-the-job development programs, and support for employees pursuing advanced degrees.

The Group designs customized training programs for both new hires and existing staff. New employees receive comprehensive on-boarding covering corporate culture, business processes, workplace safety requirements, management policies, and corporate development philosophy. For current employees, we provide regular job-specific training to enhance technical skills, product knowledge, and technological expertise, while deepening their understanding of industry quality standards and workplace safety protocols.

In 2024, the Group delivered a total of 1,131 training hours to all employees, with key achievements as follows:

1. Conducted regular management team seminars covering corporate governance, work safety, advanced technologies, case studies, expert lectures, and industry trends. Specialized assessments were administered with a 100% pass rate.
2. The company organized comprehensive fire safety training for all employees, including specialized practical drills on fire equipment usage and emergency evacuation exercises. These initiatives thoroughly implemented workplace safety responsibilities, enhanced safety and fire prevention knowledge, and strengthened awareness of fire hazards and production safety. The training recorded over 310 participant attendances with a 100% examination pass rate.
3. The Group conducted pre-employment training and certification renewal for specialized technical positions including engineering professionals, geological survey personnel, skilled technicians, as well as refrigeration installation/maintenance workers, electricians, welders and other critical roles to meet operational requirements, with 44 professional certifications obtained and a 100% certified-on-duty compliance rate.



The Group's training rates by gender, type of employment and average hours of training per employee for 2024 are summarized in Table 8 below.

Table 7: Summary of Training Rates by Gender, Type of Employment and Average Hours of Training Completed per Employee

	Index	Unit	2024	2023
B3.1	Employee Training Rates by Gender			
	Male	%	80.83	82.09
	Female	%	19.17	17.91
	Employee Training Rate by Type of Employee			
	Senior Management	%	18.84	13.19
	Middle Management	%	37.68	18.50
	Non-management	%	43.48	68.31
B3.2	Average Number of Hours of Training Completed per Employee by Gender			
	Male	Hours	6.20	4.12
	Female	Hours	4.43	3.77
	Average Number of Hours of Training Completed per Employee by Type of Employee			
	Senior Management	Hours	17.20	8.97
	Middle Management	Hours	9.39	5.64
	Non-management	Hours	4.64	3.43

The methodology for reporting the above training rates and average training hours is mainly based on the "How to Prepare Environmental, Social and Governance Reports" issued by the Stock Exchange – Appendix 3: Guidelines for Reporting on Social Key Performance Indicators.





(The above photo shows the Group's external legal counsel conducting legal training for members of the management regular meeting.)



(The photo above shows the Group engaging professional instructors to conduct fire safety training for all employees, delivered through a combination of in-person and online formats.)

B4 Labour Standards

B4.1 Avoid Child and Forced Labour

The Group consistently upholds lawful and compliant operations, resolutely opposing any illegal employment of child labor or forced labor. In daily operations, we strictly comply with labor laws and regulations in all operating jurisdictions, particularly in mainland China where we rigorously adhere to the Labor Law of the People's Republic of China, Regulations on the Prohibition of Child Labor, Law on the Protection of Minors of the People's Republic of China, and Criminal Law of the People's Republic of China, maintaining an absolute prohibition against hiring minors under 16 years of age through comprehensive age verification systems, regular compliance audits, whistleblower mechanisms, and mandatory training programs on labor standards for all hiring managers.

The Group's Human Resources department plays a pivotal role in ensuring recruitment compliance. During the initial hiring phase, candidates are strictly required to submit valid identification documents, with thorough verification procedures to accurately confirm age information, thereby guaranteeing legal compliance from the outset. At the on-boarding stage, in addition to standard document reviews, particular emphasis is placed on meticulous examination of educational certificates and other materials, employing multi-dimensional cross-checking to further validate the authenticity of age information, thus establishing comprehensive safeguards for employment compliance.

Should any instance of underage hiring be identified, the Group will immediately implement emergency protocols. First, promptly terminating the minor's employment while ensuring their proper and responsible placement to protect their lawful rights. Concurrently, direct responsible individuals will receive formal disciplinary warnings, while department heads involved will face public censure as a deterrent. Subsequently, the matter will be escalated to management meetings for specialized review, where appropriate disciplinary measures will be determined based on case specifics. Through these rigorous and systematic measures, the Group is committed to full legal compliance, fundamentally eliminating underage hiring practices, and fostering a lawful, compliant, and harmonious employment environment.



B4.2 Measures Taken to Eliminate Violations

1. Strengthening Institutional Systems and Enhancing Regulatory Policies

We have established and optimized our policy framework to ensure employees clearly understand permitted and prohibited conduct, with timely updates to maintain relevance.

2. Intensifying Training and Education to Raise Compliance Awareness

Regular compliance training programs educate employees on laws, corporate policies, and professional ethics. Through case studies and interactive discussions, we deepen understanding of compliance requirements while promoting a robust culture of integrity.

3. Rigorous Enforcement of Disciplinary Measures to Uphold Policy Authority

The Employee Handbook and related policies define standardized penalties proportionate to the nature, severity, and consequences of violations. All infractions are addressed consistently through fair, transparent procedures that preserve the credibility of our governance systems.





10 OPERATION MANAGEMENT

B5 Supply Chain Management

To ensure stable product quality and continuously provide customers with high-quality engineering and services, the Group has formulated a series of management measures for the procurement of production and engineering supplies, including the “Procurement Management System”, the “Price Management System of the Procurement Department”, the “Detailed Rules for the Implementation of Material Quality Inspection” and the “Material Management System”.

To standardize procurement behavior and supplier management, the Group has formulated the “Management System for Qualified Suppliers of the Procurement Department” and the “Performance Evaluation Standards for Qualified Suppliers” in accordance with the requirements of the ISO 9001 Quality Management System. The Group clearly stipulates that all equipment, accessories and materials used must be provided by qualified suppliers approved by the Group.

Each procurement is carried out through a comparative selection process. The procurement department selects at least three suppliers for comprehensive evaluation before determining the final supplier. We give priority to selecting environmentally friendly and energy – saving products and enterprises that have passed environmental management system certification and have a strong sense of innovation as qualified suppliers. For important suppliers, we will conduct on – site inspections in the early stage of the review to verify their business qualifications, scale, production status, and warehouse conditions. The relevant information will then be submitted to the Group’s dedicated qualified supplier review team for qualification assessment. Qualified suppliers must have legal business licenses and pass the Group’s assessment in terms of product quality, qualifications, production and supply capabilities, and systematic quality management.

Through years of operation, we have established a database of qualified suppliers. We conduct regular annual assessments of qualified suppliers. Suppliers with significant deficiencies will be removed from the list of qualified suppliers. The procurement department continuously monitors the quality of the purchased materials, the delivery schedule, and the production efficiency of the suppliers. It also conducts quality supervision and satisfaction surveys on ongoing engineering projects to ensure that the products provided can keep up with the times and meet the actual needs of users.



Table 8: Overview of Suppliers by Region

	Key Performance Indicators	Unit	2024	2023
B5.1	Number of Suppliers by Region			
	Mainland China	No.	69	66

B5.2 Practices for Engaging Suppliers, the Number of Suppliers Implementing These Practices, and Relevant Implementation and Monitoring Methods

Suppliers are determined based on the “Application Form for Qualified Suppliers” approved by the review team. Qualified suppliers must comply with the following regulations:

1. All products entering the warehouse must be of qualified quality and must not be fake or shoddy. In case of fake or shoddy products, economic penalties will be imposed according to the degree of impact on the project. For serious cases, the supplier’s qualification as a qualified supplier will be revoked.
2. The quantity of products supplied must match the actual order quantity, and the actual quantity of products entering the warehouse must match the quantity specified in the contract.
3. Suppliers must designate a person as the business representative for business contact with the Group. In case of personnel replacement, the Group must be notified immediately.
4. Suppliers are not allowed to modify products without permission. If the supply price at the time of payment is higher than the original quotation, economic penalties will be imposed on the supplier, and in severe cases, the supplier’s qualification as a qualified supplier will be revoked.
5. Suppliers are not allowed to offer bribes to the Group’s business personnel in any form. Once reported and verified, the supplier’s qualification as a qualified supplier will be revoked.

The number of suppliers implementing these practices was 69 in 2024.



B5.3 Practices for Identifying Environmental and Social Risks in Each Stage of the Supply Chain, and Related Implementation & Monitoring Methods

Upon receiving evaluation materials, the review panel prioritizes suppliers with ISO environmental management system certification and assesses candidate suppliers based on factors such as pricing levels and product testing reports. The evaluation results are documented in detail in the Qualified Supplier Application Form. If additional information or an on-site system inspection is required from the supplier, such requirements will be clearly specified in the Qualified Supplier Application Form. The review panel will also follow up promptly to ensure suppliers provide up-to-date ISO environmental management system certifications, guaranteeing the accuracy and timeliness of the information. Additionally, the Group conducts regular audits and monitors supplier compliance with environmental and social responsibility standards to mitigate risks throughout the supply chain.

B5.4 Practices for Suppliers' Use of Environmentally Friendly Products and Services, and Related Implementation and Monitoring Methods

The Group signs an “Environmental Protection and Safety Agreement” with qualified suppliers annually to ensure effective pollution prevention and control, production safety, and road traffic safety. The agreement strictly implements the Environmental Protection Law of the People’s Republic of China, Ambient Air Quality Standards, Surface Water Environmental Quality Standards, Work Safety Law of the People’s Republic of China, Road Traffic Safety Law of the People’s Republic of China and relevant judicial interpretations, aiming to prevent air and wastewater pollution and promote civilized and safe production. The Group strengthens environmental supervision of suppliers by requiring them to adopt civilized transportation practices. If any violations are found, the supplier will be notified to rectify within a specified time limit; those who refuse to rectify will have their cooperation terminated.



B6 Product Responsibility

We specialize in designing, manufacturing, and promoting high-quality products to meet user demands, while offering diversified product series to accommodate varying customer requirements. From pre-sales consultation to after-sales service, we provide comprehensive support and strictly comply with laws and regulations including the Product Quality Law of the People’s Republic of China, Consumer Rights Protection Law of the People’s Republic of China, Beijing Municipal Construction Engineering Quality Regulations, and Advertising Law of the People’s Republic of China, ensuring legal and compliant operations while safeguarding consumer rights.

To better serve our customers, we have established a 24-hour hotline to promptly address user requests, with dedicated staff conducting follow-ups and collecting feedback to guarantee service quality. We maintain customer profiles to archive and analyze service information, while developing standardized service protocols and procedures with full-cycle quality tracking. Tailored to different needs, we provide services including equipment room monitoring, device maintenance, and energy-efficient operation management. In accordance with agreements, we perform seasonal system inspections and maintenance during spring and autumn to ensure proper functioning. In 2024, the Group enhanced operational data management by implementing comprehensive monitoring of unit operation data, indoor/outdoor temperature readings, and water/electricity consumption. We introduced an ambient temperature compensation mechanism that adjusts unit operation based on outdoor temperatures to achieve cost-effective and efficient operations.

B6.1 Percentage of Total Products Sold or Shipped that Were Recalled for Safety and Health Reasons

We have implemented this policy in our operations with remarkable results. As of 2024, the percentage of products sold or shipped that required recall for safety and health reasons was zero.



B6.2 Number of Complaints Regarding Products and Services and Response Methods

To enhance service quality, the Group established an Integrated Heating & Cooling Operations Center in 2024, dedicated to collecting and addressing customer feedback and complaints. We publicly listed six service hotlines and email addresses, with staff available 24/7 to ensure prompt response to service requests. All customer needs and complaints are tracked, resolved, and followed up to ensure effective solutions.

In 2024, our customer service hotline received 2,162 calls, primarily for maintenance requests, all of which were properly handled. Thanks to the 24-hour service center, customer satisfaction improved significantly. The Group conducted 1,309 follow-up calls for maintenance services, achieving a 99.7% satisfaction rate. Notably, there were zero complaints regarding products or services throughout the year.

B6.3 Protection of Intellectual Property Rights

The Group's independently developed shallow geothermal energy collection technology has secured 36 invention patents and 10 utility model patents. We enforce strict intellectual property (IP) management policies and ensure legal protection through proper registration and compliance measures.

B6.4 Quality Inspection Process and Product Recall Procedures

The Group conducted special spring inspections on all refrigeration operation projects from late March to late April 2024, followed by autumn inspections completed before November 10 of the same year. The primary objectives of these seasonal inspections were to conduct comprehensive maintenance of heating/cooling system equipment and perform scheduled servicing, ensuring both the inspection rate and equipment integrity rate reached 100%.

The Group strictly complies with contractual obligations for product inspection, maintenance and replacement: Warranty-covered products receive free repairs or replacements by after-sales personnel, out-of-warranty products are charged only for material costs and service fees, Beijing-area maintenance is handled by the Group's Operations Center, routine maintenance in other provinces is outsourced to local authorized service providers and for specialized repairs or complex issues beyond local capacity, the Group dispatches expert technical teams.



B6.5 Privacy Protection

The Group attaches great importance to the protection of customer privacy and rights, and has established strict internal policies including archival management regulations. Collected customer personal data shall only be used for explicitly defined purposes. All employees must strictly comply with relevant regulations, and are strictly prohibited from disclosing any confidential information to external parties without customer authorization. Furthermore, the Group has explicitly prohibited the unauthorized sharing of user information between departments internally to ensure the security and confidentiality of customer data.

B7 Anti-corruption

The Group strictly adheres to relevant anti-corruption and anti-bribery laws, regulations, and policies in the regions where it operates, including the “Anti-Corruption Law of the People’s Republic of China”, the “Anti-Money Laundering Law of the People’s Republic of China”, and the “Prevention of Bribery Ordinance in Hong Kong”. It actively conducts anti-corruption internal control management and risk prevention work, and maintains a “zero-tolerance” attitude towards illegal acts such as bribery, extortion, fraud, and corruption. The Group advocates that each employee should be honest, law-abiding, and dedicated to public service in their work, and practice good professional ethics.

B7.1 Zero Violations and Zero Corruption in the Group

In 2024, none of the Group’s employees on the payroll committed any illegal or disciplinary acts, and there were no corruption-related litigation events throughout the year.



B7.2 Anti-corruption Measures in the Group

The Group continuously strengthens anti-corruption training for employees to enhance their awareness of combating corruption and upholding integrity. Meanwhile, the Group has established an internal reporting channel, through which employees can report any suspected improper behavior in writing. The Group will investigate all suspected or illegal acts to safeguard the Group's interests. If criminal acts are confirmed, the Group's management will submit reports to relevant regulatory or law-enforcement agencies immediately when necessary. In December 2024, a retired employee of the Group stole cables from a project machine room. We reported the incident to the police immediately and actively cooperated with the public security department to handle the case in accordance with laws and regulations.

B7.3 Anti-corruption and Anti-bribery Measures in the Group

In response to areas prone to corruption such as tendering and procurement, the Group implements strict monitoring measures and establishes a tender review team to ensure the fairness, openness, and impartiality of the tendering process. Employees who are honest in their work, such as those who refuse gifts from suppliers, do not participate in supplier-hosted banquets, and dissuade suppliers from such behaviors, will be commended and rewarded as appropriate. Regarding anti-corruption training for directors, the Group organizes directors to watch anti-corruption short films produced by the Independent Commission Against Corruption and formulates internal regulations, including the "Reporting Policy" and the "Anti-Corruption and Anti-Bribery Policy", to further strengthen the anti-corruption management mechanism.

In external business operations, the Group always adheres to the principle of "handling all matters in accordance with laws and regulations" and participates in external business competition with the concept of "fairness, impartiality, and openness".



B8 Community Investment

Strive to Improve Heating

In early February 2024, a severe cold wave caused temperatures to plummet across northern China, with northeastern regions experiencing lows below -20°C , and some areas even dropping below -30°C . To ensure customers stayed warm during this extreme weather, CHYY Group mobilized all staff to work overtime, maintaining equipment operations, closely monitoring system status, and delivering premium heating services.

Dalian Hutchison Whampoa Project: The heating area of the project is 58,000 square meters, and the current occupancy rate is only 6.6%. The Group spared no expense and made every effort to provide heating. By subsidizing RMB250,000, it ensured that the residents who had moved in could stay warm in the cold weather, and received a silk banner of gratitude from the developer.

Tianjin Old Town Project: Due to long-term pipe scaling affecting heating efficiency, the Group collaborated with the government in 2024 to invest RMB580,000 in pipeline upgrades (total project cost: RMB1.3 million, with RMB720,000 government subsidy), significantly improving heating performance for residents.

Four Seasons Fragrant Hills Project (Building 6): Some households had inconsistent heating. During the 2024 autumn inspection, the Group invested RMB20,000 to organize a thorough inspection, clear blockages, and replace faulty equipment. This winter, heating performance has noticeably improved, earning resident approval. Despite the expired contract and aging equipment, the Group decided to continue providing heating/cooling services and plans to invest in system upgrades within five years to enhance living comfort.

Golden Seasons Integrated Heating-Cooling Project: The Group invested RMB1.86 million in system upgrades.

Huayankou Government Project: RMB50,000 was invested in equipment room renovations.



The development of Beijing’s efficient and clean winter heating using ground-source heat pumps – an emerging green industry integrating heating and cooling – marks the transition from Heating 1.0 to Heating 2.0 in northern China. To promote shallow geothermal energy utilization, we urge the government to introduce targeted policies. In 2024, the Beijing municipal government initiated water resource tax reforms, planning to reduce tax rates for groundwater re-injection-compliant heat pump systems, a move that will significantly advance shallow geothermal energy development.

Committed to Energy Conservation and Carbon Emission Reduction

On 5 November 2024, the Hong Kong International Finance Forum and Annual Hong Kong International ESG Awards Ceremony was grandly held in Hong Kong. At this awards ceremony, CHYY Development Group Limited was honored with the “Best Energy Conservation and Carbon Reduction Action Award” at this award ceremony.





11 REPORT DISCLOSURE INDEX

A Environment

Aspect A1

Emissions

General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouses gas emissions discharges into water and land, and greenhouse hazardous and on hazardous waste	Page 24
KPI A1.1	The types of emissions and respective emissions data	Page 26
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity	Page 26
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity	Page 27
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity	Page 27
KPI A1.5	Description of measures to mitigate emissions and results	Page 28
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Page 28

Aspect A2

Use of Resources

General Disclosure	Policies on the efficient use of resources, including energy water and other raw materials	Page 29
KPI A2.1	Direct and/or indirect energy consumption by type including energy, water and other raw materials and intensity	Page 30
KPI A2.2	Water consumption in total and intensity	Page 30-31
KPI A2.3	Description of energy use efficiency initiatives and results achieved	Page 31
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Page 32
KPI A2.5	Total packaging material used for finished products	Page 32



Aspect A3			The Environmental and Natural Resources		
General Disclosure	Policies on minimizing the issuer’s significant impact on the environment and natural resources				Page 33
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them				Page 33
Aspect A4			Climate Change		
General Disclosure	Policies to find out and cope with the significant climate-related issues that have affected and may affect the issuers				Page 34
KPI A4.1	Description of the significant climate-related issues that have affected and may affect the issuers, and actions taken to manage them.				Page 34
B	Social				
Aspect B1			Employment and Labor Practices		
General Disclosure	Information on:				Page 35-37
	(a) the policies, and				
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare				
KPI B1.1	Total workforce by gender, employment type, age group and geographical region				Page 38
KPI B1.2	Employee turnover rate by gender, age group and geographical region				Page 39
Aspect B2			Health and Safety		
General Disclosure	Information on:				Page 40-41
	(a) the policies; and				
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards				
KPI B2.1	Number and rate of work-related fatalities				Page 42
KPI B2.2	Lost days due to work injury				Page 42
KPI B2.3	Description of occupational health and safety measures adopted, How they are implemented and monitored				Page 42-43



Aspect B3	Development and Training	
General Disclosure	Policies on improving employee’s knowledge and skills for discharging duties at work, Description of training activities	Page 44
KPI B3.1	The percentage of employees trained by gender and employee category	Page 45
KPI B3.2	The average training hours completed per employee by gender and employee category	Page 45
Aspect B4	Labor Standards	
General disclosure	Information on: (a) the policies, and (b) compliance with relevant laws and regulations that have a significant impact on the issuer a significant impact on the issuer relating to preventing child and forced labor	Page 47-48
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Page 47
KPI B4.2	Description of steps taken to eliminate child and forced labour practices when discovered	Page 48
Aspect B5	Supply Chain Management	
General Disclosure	Policies on managing environmental and social risks of the supply chain	Page 49
KPI B5.1	Number of suppliers by geographical region	Page 50
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers, where the practices are being implemented, how they are implemented and monitored	Page 50
KPI B5.3	Describe the practices for identifying environmental and social risks at each stage of the supply chain, as well as the relevant enforcement and monitoring methods	Page 51
KPI B5.4	Describe the practices that promote greater use of environmentally friendly products and services in the selection of suppliers, and the relevant enforcement and monitoring methods	Page 51



Aspect B6	Product Responsibility	
General disclosure	Information on:	Page 52
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	
KPI B6.1	Percentage of total products sold or shipped subject to recall for safety and health reasons	Page 52
KPI B6.2	Number of products and services related complaints received and how they are dealt with	Page 53
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Page 53
KPI B6.4	Description of quality assurance process and recall procedures	Page 53
KPI B6.5	Description of customer data protection and privacy policies, how they are implemented and monitored	Page 54
Aspect B7	Anti-corruption	
General disclosure	Information on:	Page 54
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employee during the year and the outcome of the case	Page 54
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Page 55
KPI B7.3	Describe the anti-corruption training provided to directors and staff	Page 55
Aspect B8	Community Investment	
General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	Page 56-57
KPI B8.1	Focus of areas of contribution	Page 56-57
KPI B8.2	Resources contributed to the focus areas	Page 56-57

