



**Guangdong Huate Gas Co., Ltd.**

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# 2023

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

HUATE GAS'S 2023 ESG REPORT

# About this Report

This Report is the 2nd Environmental, Social and Governance Report of Guangdong Huate Gas Co., Ltd. Based on objective, comprehensive, regulative and transparent principles, this Report expounds management ideas, key practices and annual achievements for environmental, social and governance work of Huate Gas in 2023.

## Scope of the Report

Unless otherwise stated, this Report includes Guangdong Huate Gas Co., Ltd.'s headquarters, all the branches and subsidiaries, with the same scope of 2023 Annual Report of Huate Gas.

## Time Range

From 1 January 2023 to 31 December 2023 (the "reporting period").

In order to enhance the comparative and forward-looking nature of this report, some of the contents are retrospective or forward-looking where appropriate. This report is issued on an annual basis, in line with the financial year.

## Reporting Guidelines

- *Guidelines on Self-regulation of Listed Companies on the Science and Technology Innovation Board of Shanghai Stock Exchange No. 1—Standard Operation*
- *Rules Governing the Listing of Stocks on the Science and Technology Innovation Board of Shanghai Stock Exchange*
- *The Chinese Corporate Social Responsibility (CSR) Report Preparation Guide (CASS-CSR5.0)*
- *Global Reporting Initiative Sustainability Reporting Guidelines (2021 edition)*
- *Sustainable Development Goals of the United Nations*
- *Sustainability Accounting Standards Board SASB Guidelines*
- *The Guidelines on Corporate Social Responsibility of State-owned Companies*

## Accuracy

The sources of data used in the report include the original data of the Group's actual operation, public data from government departments, annual financial data, relevant internal statistical statements, third-party questionnaires and third-party evaluation interviews. The financial data in this report is denominated in CNY, and if there is any inconsistency with the financial report, the financial report shall prevail.

## Appellation Description

Abbreviation of Company	Full Name of Company
Huate Gas, Company or we	Guangdong Huate Gas Co., Ltd.
Southern China Special Gas Institute	Guangdong Southern China Special Gas Institute Co., Ltd.
Xinhui Special Gas Institute	JiangMen City Xinhui Special Gas Institute Co., Ltd.
Zhongshan Huaxin	Zhongshan Huaxin Gas Co., Ltd.
Suining Country United Chemical	Suining Country United Chemical Co., Ltd.
Jiangxi Huate	Jiangxi Huate Electronic Chemical Co., Ltd.
Asia Pacific Gas	Asia Pacific Gas Industry Co., Ltd.

## Report Preparation and Approval

This report was approved by the Board of Directors of the Company on 11 April 2024 and was published at the same time as the Annual Report. The Board of Directors undertakes to monitor the contents of the report and to ensure that it does not contain any false information or misleading statements and is responsible for the truthfulness, accuracy and completeness of the contents.

This report is published in Chinese. The English version has been translated from the Chinese version and in case of any discrepancy between the two versions, the Chinese version shall prevail.

## Access to the Report

You may browse or download the Report (the electronic version) at the official website of Huate Gas ([www.huategas.com](http://www.huategas.com)) or at the website of Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)).

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## Message from the Chairman

With the rapid development of the global economy, the concept of sustainable development has gained increasing popularity. Huate Gas always sticks to the original intention and is committed to realising the long-term development of the enterprise, contributing our wisdom and strength towards the prosperous development of the gas industry, and thereby contributing to the construction of a better future.

In terms of governance, Huate Gas adheres to the norms and strengthens the cornerstone of governance. We always adhere to the principle of "orderly governance, solid enterprise", constantly improve the corporate governance structure, ensure the transparency and compliance of our operation, actively fulfil the obligation of information disclosure, disclose our operation and financial status to shareholders and the public in a timely manner, and strengthen credibility and social recognition.

In terms of environment, Huate Gas advocates green and carries out low-carbon production. We adhere to the road of "green first, sustainable development", strictly abide by the national environmental protection laws and regulations, increase the investment in environmental protection, introduce advanced environmental protection technology and equipment, and reduce the pollution emission in the production process. At the same time, We actively advocate green office, green travelling and other environmental protection concepts, encourage employees to participate in environmental protection activities, and jointly contribute to the protection of the environment.

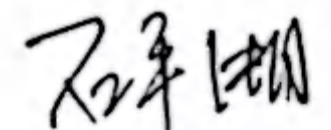
In terms of industrial development, Huate Gas embraces innovation as our core soul and shares the fruit of value. Innovation is the first power to lead the development, the company to "innovation-driven, industrial take-off" as the strategy, focusing on technology research and development and product innovation, and constantly improve product quality and service level, to provide customers with safer and more efficient gas products and services. We actively cooperate with upstream and downstream enterprises to promote the synergistic development of the industrial chain and achieve resource sharing and mutual benefit.

In terms of our people, Huate Gas takes people as the centre and builds a talent highland. We uphold the principle of protecting the rights and interests of our employees and fostering a sense of unity. It has integrated the goal of providing the best platform for employee development into our business mission. We respects the rights and dignity of our employees and priority their growth and development. We will enhance employee welfare benefits, improve the training mechanism, provide employees with more development opportunities, create a positive working atmosphere, and strengthen the sense of belonging and cohesion among employees.

In terms of social responsibility, Huate Gas is grateful and actively fulfils the social responsibility. We understand the way of symbiosis between the enterprise and the society, and have deeply planted the guideline of "concentricity in public welfare and harmonious progress" in our actions. We actively participate in social welfare undertakings and contribute to the society through environmental protection and donations.

Huate Gas will adhere to the core strategy of sustainable development, continue to enhance its green development strategy, strengthen its innovation capacity, promote strategic cooperation within the gas industry, and continuously optimize welfare benefits for employees. With a more open mindset, we will actively fulfill our social responsibility and join hands with all parties to create a better future for the gas industry.

Chairman



## 2023 Report Highlights

### Economic Performance

Operation revenue	CNY 1.5 billion
Net Profit	CNY 172 million
Interest expense	CNY 29 million
Total shares	CNY 120 million

### Environmental Performance

Total environmental expenses	CNY 944.6 million
Electricity	10,129,154.65 kWh
Total water consumption	118,376 Tonnes
Total GHG emissions	14,794.35 tCO <sub>2</sub> e

### Our key figures

The total social contribution value of the company in 2023 is about **CNY 419 MILLION**

The social contribution value per share is **CNY 3.48**

Note: Total social contribution value = Net profit + income tax expense + business tax and surcharges + cash paid to and for employees + current employee compensation - previous employee compensation + financial expenses + donation - sewage and clean-up costs

Social Contribution Value per share = The average of total social contribution Value/total number of shares at the beginning and end of the period

### Governance Performance

Shareholders' general meeting	4 times
Board meeting	17 times
Supervisory board meeting	14 times
Anti-Corruption training	25 times
Internal risk management training	20 times
Legal training	4 times

### R&D Performance

R&D investment	CNY 50.4288 million
Patents	213
Software publications	73
Trademarks	51
Published papers	64

### Social Performance

No. of volunteers	180
Public input	CNY 448.4 million
Employee benefit expenses	CNY 27.676 million
Employee training coverage	100%

# About Huate Gas

## Huate Gas Profile

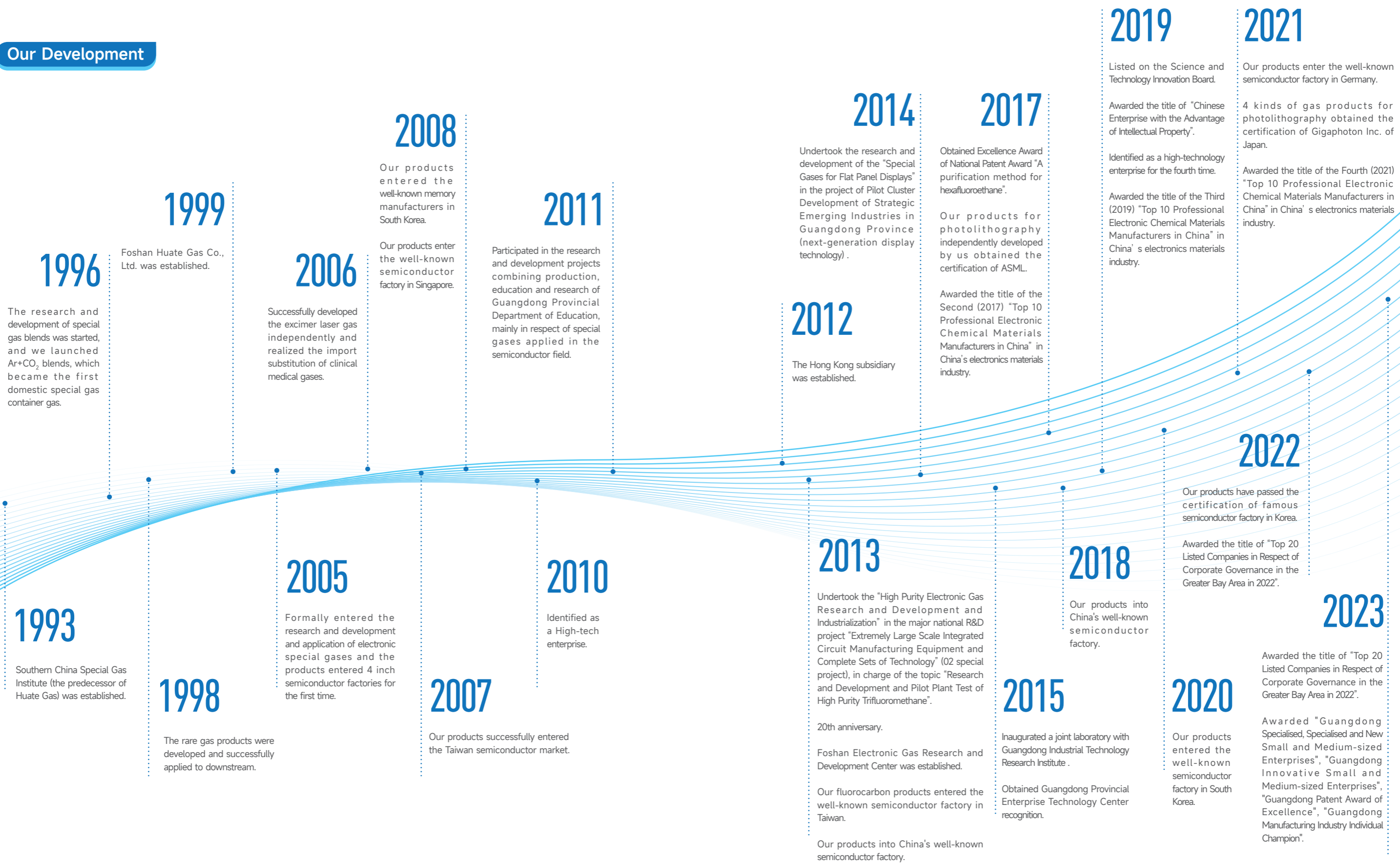
Guangdong Huate Gas Co., Ltd. was founded in 1999 and, was listed on the Science and Technology Innovation Board of Shanghai Stock Exchange on December, 2019, with the stock abbreviation of "Huate Gas" (Stock Code: 688268.SH), which is the the first company in Foshan to be listed on the Science and Technology Innovation Board and the first gas industry enterprise in China to be listed on the Science and Technology Innovation Board.

We are committed to the localisation of special gases, to break the very large-scale integrated circuits, new display panels and other high-end fields of gas material constraints, the main business of special gases as the core of the R&D, production and sales, supplemented by common industrial gases and related gas equipment and engineering business, to provide a one-stop integrated application of gas solutions.

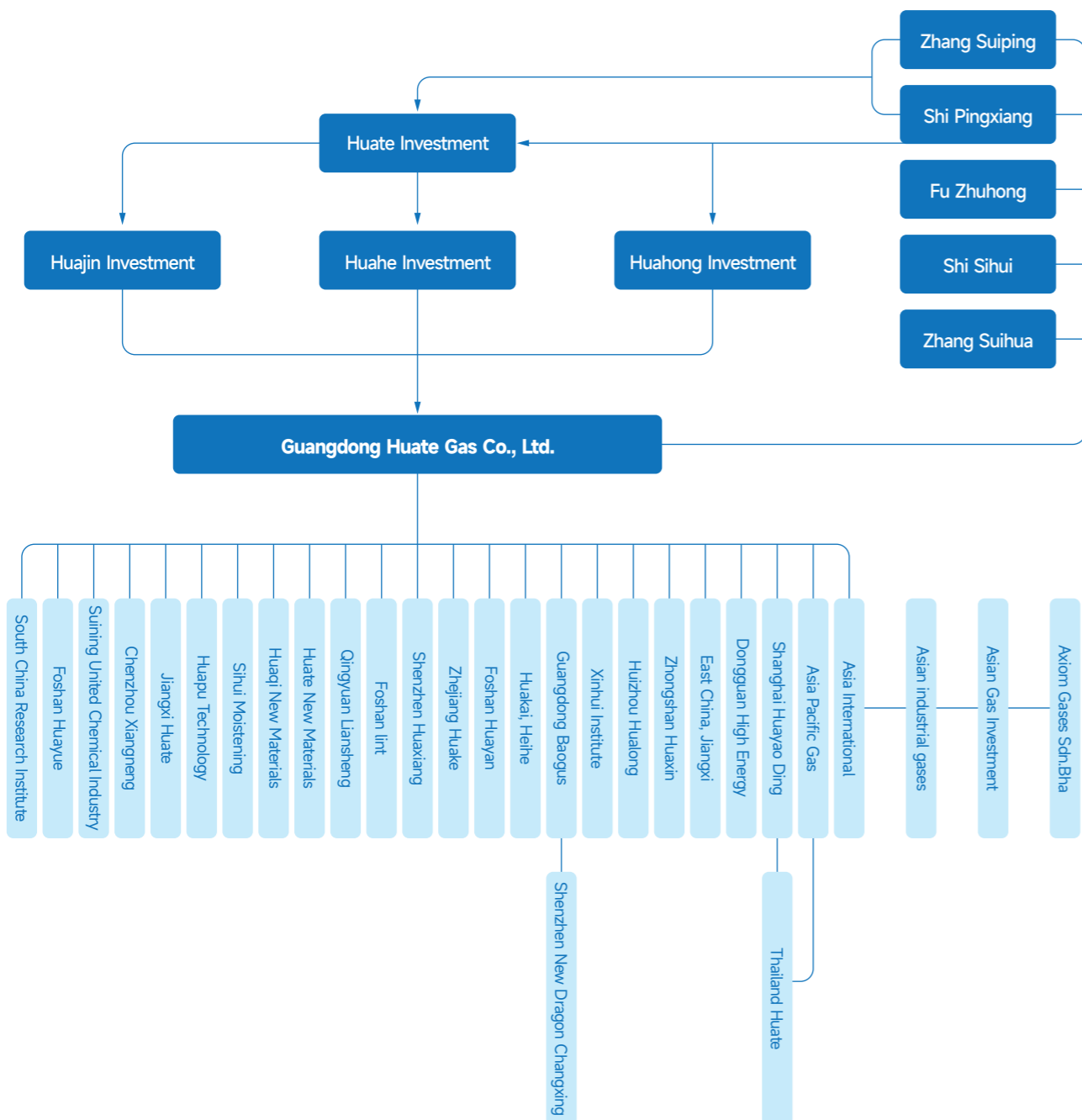
## Our Culture



Our Development



### Shareholding Structure



Shareholding Structure of Huate Gas

### Enterprise Honors

Honor Title	Awarding Unit
The 6th "IC Innovation Award" Achievements Industrialization Award	China Integrated Circuit Innovation Alliance
Specialized and Sophisticated SMEs	The Ministry of Industry and Information Technology
Guangdong Patent Award of Excellence	The People's Government of Guangdong Province
Leading Enterprises of Foshan Nanhai District Science and Technology	Nanhai District Science and Technology Bureau of Foshan City
2023 Foshan Science and Technology Leading Enterprises (Innovation Effectiveness)	The People's Government of Foshan City
Specialized and Sophisticated SMEs in Guangdong Province	Guangdong Provincial Department of Industry and Information Technology
Innovative Small and Medium-sized Enterprises in Guangdong Province	Guangdong Provincial Department of Industry and Information Technology
Guangdong Patent Award of Excellence	The People's Government of Guangdong Province
Guangdong Manufacturing Individual Champion	The People's Government of Guangdong Province
National Intellectual Property Advantage Enterprise	China National Intellectual Property Administration



# Sustainable Management

## Sustainability Development

Huate Gas is well aware of the far-reaching impact of corporate social responsibility and sustainable development on society. While continuously pursuing economic benefits, We are firmly committed to the path of sustainable development. Through the practice of sustainable development, we can enhance the comprehensive value and contribute to the sustainable development of the society.

### Governance Issues

Optimising the governance mechanism of the three councils and strengthening risk management awareness. Adherence to honest business principles and transparent and reasonable disclosure of information.

### Environmental Issues

Improve the environmental management system and enhance the efficiency of resource use. Strict emission pollution management, focusing on ecological environmental protection.

### Industrial Issues

Promote the development of innovation ability and refine the supply chain management. Commitment to product quality improvement, improve customer service system.

### Employee Issues

Maintaining a diverse and equal workplace and promoting the development of employees' abilities. Protecting employees' occupational health and creating shared value together.

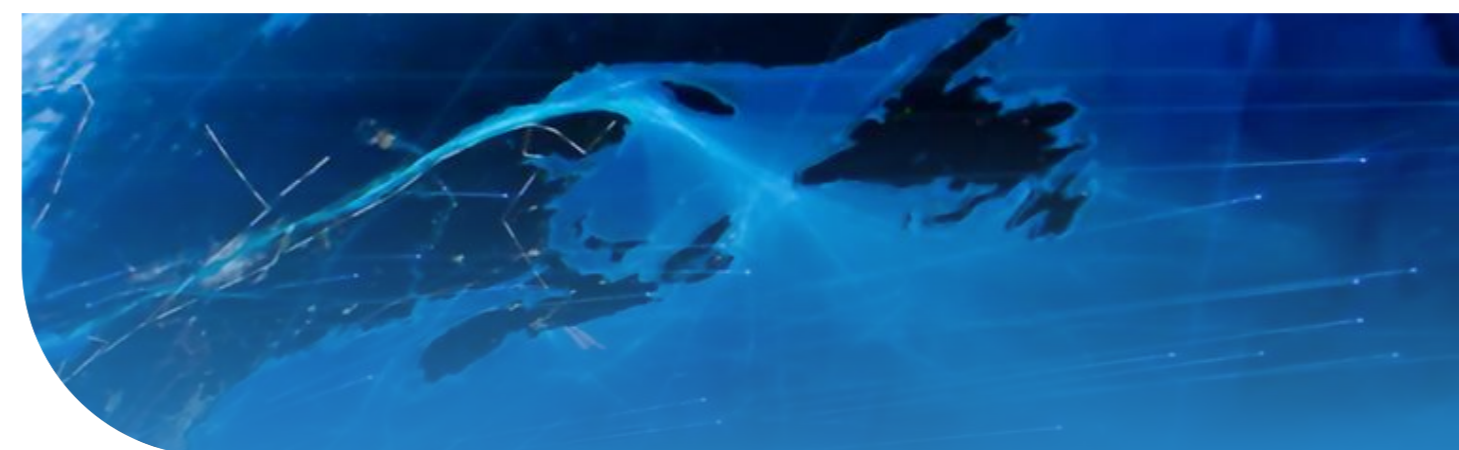
### Commonwealth Issues

Focus on creating social value and actively assume social responsibility.

Sustainability Goal

	Huate Gas's Supporting Initiatives	UN SDGs
<b>Governance</b>	<ul style="list-style-type: none"> <li>Integration of sustainability concepts into corporate strategy and daily operations;</li> <li>Established a perfect governance structure of our three committees in accordance with the law, adhered to the principle of operating in compliance, set up the Audit Department, and continuously maintained and improved our internal control system;</li> <li>Standardise the information disclosure process, broaden investor communication channels, and give investors continuous and scientific profit distribution;</li> <li>Continuously improve the construction of our business ethics system, and regularly conduct anti-corruption and anti-unfair competition training.</li> </ul>	
<b>Environmental</b>	<ul style="list-style-type: none"> <li>Strengthening environmental protection measures and improving environmental and environmental risk management systems;</li> <li>Increased efficiency in the use of resources;</li> <li>Establishment of wastewater, waste gas and solid waste treatment facilities to ensure that they meet standards for discharge or reuse;</li> <li>Reduce the discharge of wastewater, waste gas and solid waste, and reduce the pollution of the ecological environment of the waterside;</li> <li>Firmly implement the concept of "three simultaneous", and regularly monitor the ecological and environmental impacts within 5 kilometres of the boundaries of our plants.</li> </ul>	
<b>Industrial</b>	<ul style="list-style-type: none"> <li>Increase investment in scientific and technological research and development, and promote scientific and technological innovation in the field of electronics;</li> <li>Strengthening co-operation with universities and scientific research institutes and promoting the integration of production, learning and research;</li> <li>Strictly control the quality of products and provide high quality service;</li> <li>Establishment of perfect supply chain management system and long-term stable cooperation relationship with suppliers;</li> <li>Customer demand-oriented, enhance customer satisfaction, to achieve long-term stable development and the customer's bilateral.</li> </ul>	

	Huate Gas's Supporting Initiatives	UN SDGs
<b>Employee</b>	<ul style="list-style-type: none"> <li>Provide equal opportunities in recruitment, welfare, promotion, training and do not discriminate against employees on the basis of gender, age, race, religion, etc.;</li> <li>Ensure fairness in employee income and establish a reasonable remuneration system and incentive mechanism;</li> <li>Provide women with the same job opportunities as men and ensure equal opportunities for women in the recruitment and promotion process;</li> <li>Creating a female-friendly work environment, supported by appropriate facilities;</li> <li>Provide training and retraining opportunities for the professional development of employees;</li> <li>Provide safety training and protective equipment to safeguard the occupational health and safety of employees.</li> </ul>	
<b>Communities</b>	<ul style="list-style-type: none"> <li>Fulfil social responsibility, make external charitable donations and actively support the development of charitable and public welfare undertakings;</li> <li>Participate in public welfare, organise our employees to take to the streets to pick up discarded rubbish on the road surface and put it into separate places;</li> <li>Promotion of co-operation and communication between Russia and China in the field of gases.</li> </ul>	



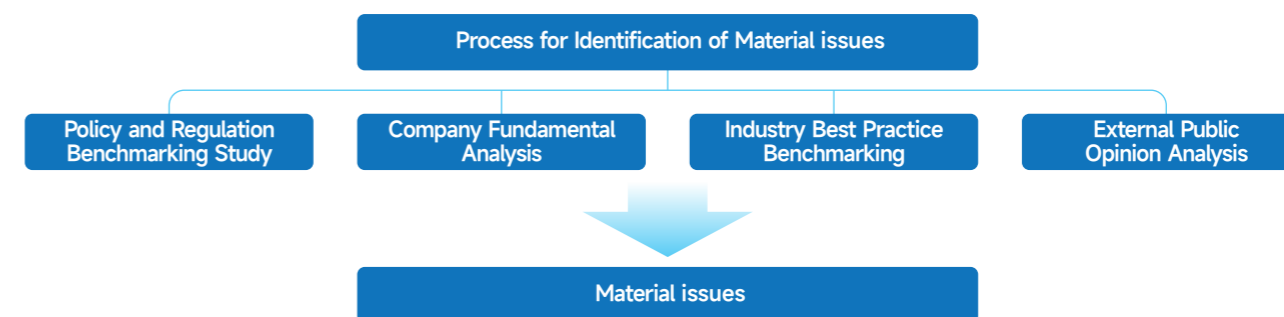
## Stakeholder Engagement

We are committed to establishing close communication and co-operation with all stakeholders to ensure that views and suggestions are well received at all levels. Diversified communication channels have been established with government and regulatory authorities, shareholders, employees, partners and the community to ensure that the needs and expectations of all parties are fully understood. We always respond positively and endeavour to meet the needs of all parties and jointly promote the sustainable development.

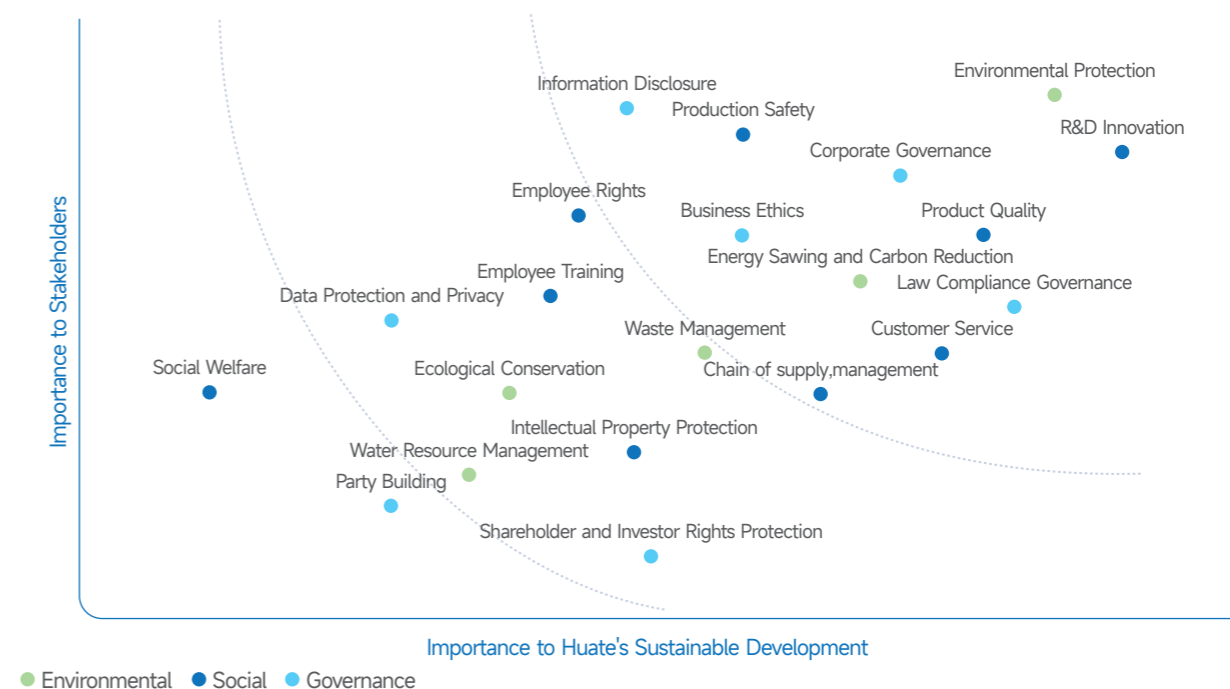
Stakeholder	Topics of Interest	Communication Channels
Government & Regulatory Agencies	Environmental Protection Energy Saving and Carbon Reduction Water Resource Management Circular Economy Production Safety Employee Rights Business Ethics Data Protection and Privacy Social Welfare	Government Communication Meeting Regular reports & Announcements Daily Communication and Reporting Listed Company Training Activities
Investors & Shareholders	Environmental Protection Corporate Governance Economic Performance Sustainability Risk Management Information Disclosure Business Ethics Data Protection and Privacy	General Meeting of Shareholders Regular reports & Announcements Announcement of Important Project Progress Investor Communication
Employees	Corporate Governance Production Safety Employee Rights Data Protection and Privacy	Staff Congress Employee Symposium Suggestion Box Employee Satisfaction Survey Corporate Culture Activities Proposal Management Regular Training Internal Magazine and WeChat
Suppliers	Corporate Governance Business Ethics Chain of supply management	Supplier Exchange Meeting Technology Exchange and R&D Co-operation Mail & Telephone
Clients	Corporate Governance Sustainability Data Protection and Privacy Business Ethics Product Quality Chain of supply management	Factory Visit Customer Satisfaction Survey Customer Feedback Mail & Telephone
Community	Environmental Protection Production Safety Employee Rights Social Welfare	Public Welfare Activities Community Monitoring

## Identification of Material Issues

Huate Gas is committed to building a sustainable industrial ecosystem with stakeholders to achieve long-term win-win co-operation. Based on global standards and industry best practices, we conduct self-assessment to identify substantive issues, and conduct in-depth analyses and research on internal and external stakeholders to determine the most important issues for the year.



We identified and assessed the importance of materiality topics, sorted out materiality issues, and formed a materiality matrix based on the level of importance of the issues in terms of "Importance to the Company" and "Importance to the Stakeholders".



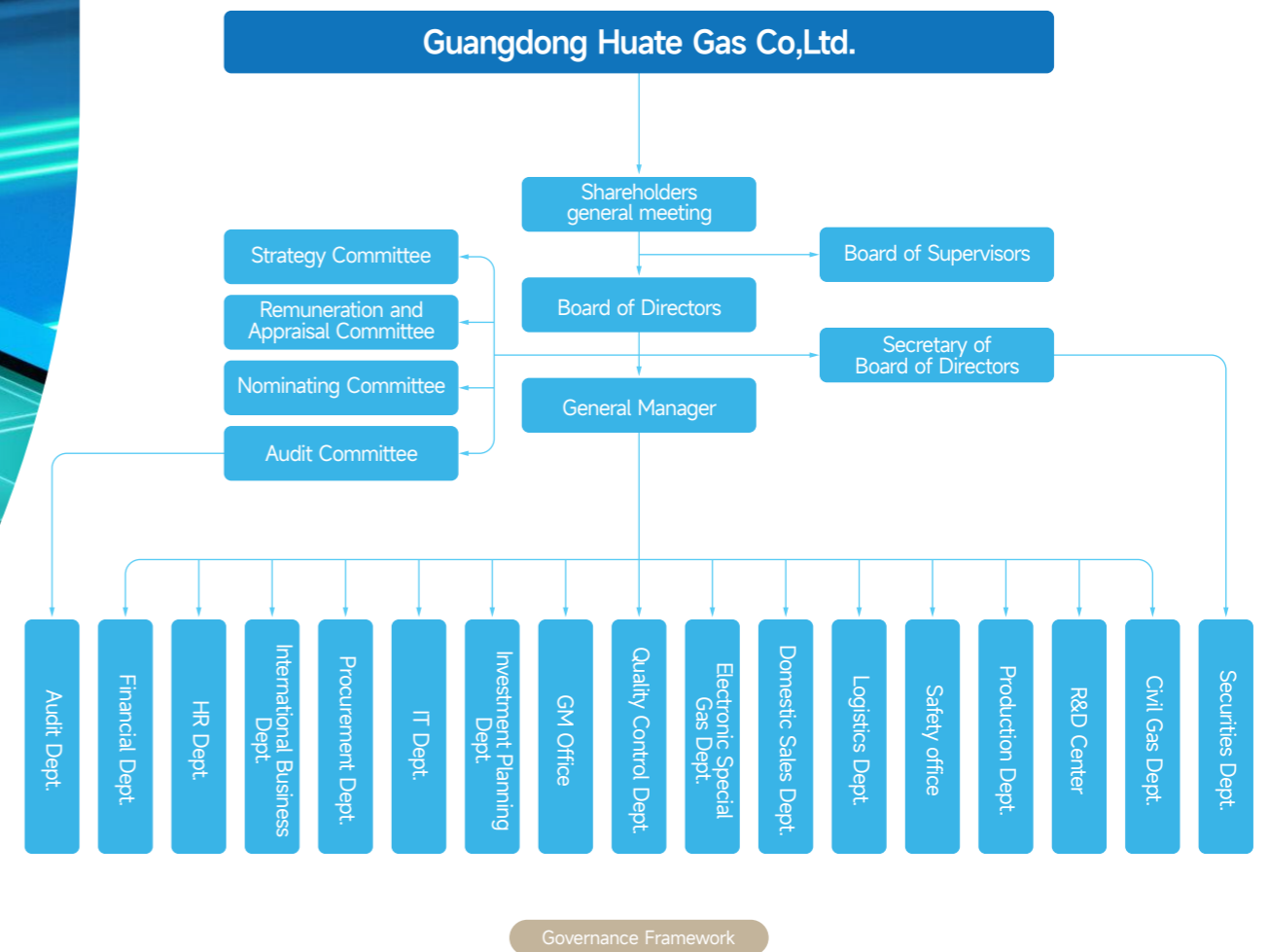
# 01

## Governance

### Governance System

#### Governance Structure

In accordance with the requirements of relevant laws and regulations, we have established a three-chamber governance structure comprising the General Meeting of Shareholders, the Board of Directors and the Supervisory Committee, which forms a mechanism for coordination and mutual checks and balances among the authorities, decision-making bodies, supervisory bodies and management, with clear powers and responsibilities and standardised operation, which has effectively safeguarded the interests of shareholders and, in particular, ensured that small and medium-sized shareholders are able to enjoy equal rights.



## “Three Boards” Governance

### Shareholders’ General Meeting

The shareholders’ meeting is the highest authority of Huate Gas, and we convene and hold the shareholders’ meeting in strict accordance with the provisions and requirements of the *Articles of Association and the Rules of Procedure for Shareholders’ Meetings of the Company*.

The Board of Directors convened and organised the Annual General Meeting by using a combination of on-site and Internet voting to facilitate the participation of investors in the voting at the Annual General Meeting and by counting the votes of retail investors individually on all proposals, thereby effectively safeguarding the rights of retail investors to participate in and supervise the Annual General Meeting.

#### During the Reporting Period

**4** General meetings of shareholders were held

**3** Extraordinary General Meetings of Shareholders

**16** Motions were considered and passed

### Board of Directors

The Board of Directors is the decision-making organ of our operation and management and the business executive organ of the General Meeting of Shareholders, responsible to the General Meeting of Shareholders for safeguarding the interests of the Company and all shareholders. We have formulated the *Rules of Procedure of the Board of Directors of Guangdong Huate Gas Co., Ltd.* to clarify the work responsibilities and ensure the standard operation of the Board of Directors’ deliberation and decision-making procedures as well as the level of scientific decision-making.

We take into full consideration the gender, age, educational background, professional knowledge and skills, industry experience and other factors of the Board members to ensure the diversity of the composition of the Board of Directors while meeting the needs of each business. The Board of Directors consists of seven directors, and the existing members of the Board of Directors have diversified professional backgrounds, and they actively utilise knowledge related to their respective specialisations for the purpose of making decisions.

During the reporting period, Huate Gas has held **17** meetings of the Board of Directors.

Board of Directors		7
Job Title	Chairman of the board	1
	Director	4
	Independent director	3
Age	41-50 years old	2
	51 years and above	5
Genders	Male	5
	Female	2
Professions	Metallurgy	3
	Accountancy	2
	Others	2
Educational Background	Junior college and below	1
	Undergraduate	2
	Master	3
	Doctor	1

In order to effectively promote the standardised governance and ensure scientific decision-making, we have set up four special committees in accordance with the relevant regulations, which are responsible to the Board of Directors and perform their duties in accordance with the Articles of Association and the authorisation of the Board of Directors, and have formulated the working rules of the committees, so as to provide the Board of Directors with scientific and professional opinions and references for the decision-making.

	Independent Director	Non-independent Director	Independent Director as Chairperson
Audit Committee	2	1	√
Strategy Committee	2	3	×
Nomination Committee	2	1	√
Remuneration and Appraisal Committee	2	1	×

#### During the Reporting Period

**11** meetings of specialised committees were held, and a total of **23** motions were considered.

- Audit Committee **4** times, considering **11** motions;
- Remuneration and Evaluation Committee **3** times, considering **8** motions;
- Strategy Committee **2** times, considering **2** motions;
- Nomination Committee **2** times, considering **2** motions.

### Board of Supervisors

The Board of Supervisors is the supervisory body of us, responsible to the General Meeting of Shareholders for the operation and finance as well as the performance of duties by the Directors, President and other senior management. We have formulated the *Rules of Procedure of the Board of Supervisors of Guangdong Huate Gas Co., Ltd.* to safeguard the legitimate rights and interests of the Company and shareholders.

The Board of Supervisors consists of 3 supervisors, including 1 chairman.

#### During the Reporting Period

We held a total of **14** meetings of the Board of Supervisors and considered **47** motions.

## Compliance Governance

### Risk Prevention and Control

We have always adhered to the principle of compliant operation, following national laws and regulations and regulatory requirements, and have made risk management, compliance management and internal control the cornerstones of business development. Through internal audits and corrective actions, it ensures the standardisation and accuracy of business operations. Meanwhile, we attach importance to the establishment of risk and internal control management systems, continuously improve relevant systems and processes, and enhance the risk awareness and response capabilities of our employees. For surety business, we strictly monitor and ensure that it complies with the law and avoids any irregularities. We always follow the legal requirements to ensure the compliance and soundness of the business.

Through the operation, analysis and evaluation of the internal control system, we effectively prevent risks in operation and management and promote the achievement of internal control objectives. We will continue to strengthen the construction of internal control, further establish and improve the internal control system that is compatible with our scale of operation and business scope, etc., so as to promote the healthy and sustainable development.

### Internal Control Management

Huate Gas has always insisted on operating in compliance with the law, and has formulated a series of systems such as *Basic Standard for Internal Control of Enterprises*, *Internal Audit System* and *Internal Reporting System for Material Information*, which provide comprehensive guidance and norms, and ensure the effective operation of internal control. In order to guarantee the safety of our operation and management, and to improve the operation efficiency and profitability, we have organised 20 times of internal control training, with 15 participants and 15 hours of training.

The Audit Committee is the highest responsible department for our internal control, and the Audit Department has been set up under it to inspect and supervise the establishment and implementation of our internal control system, etc., which provides reasonable assurance for our lawful compliance in operation and management, safety of the assets, financial reporting, efficient operation, and the truthfulness and completeness of relevant information. We continuously pay attention to and evaluate the operation of internal control, and regularly invite third parties to evaluate and certify our internal control system, so as to effectively prevent risks and provide guarantee for sound development. The annual *Internal Control Assurance Report* is published on the website of Shanghai Stock Exchange together with the annual report.

During the reporting period, we conducted a self-evaluation of the effectiveness of internal controls at the head office and subsidiaries, and no significant deficiencies in the design and implementation of internal controls were identified throughout the year.

### Tax Payments

We strictly comply with national tax laws and regulations, always uphold the principle of paying taxes in accordance with the law, complete tax declaration and payment in a timely and accurate manner in accordance with tax management regulations, ensure that taxes are paid in full, and does not engage in any unlawful acts such as tax evasion and tax avoidance. Our management attaches great importance to tax management and ensures the compliance and accuracy of tax processing by strengthening the construction of internal control and supervision mechanisms to reduce tax risks.

During the reporting period, we achieved good tax management results, which effectively safeguarded the sound development. We have always adhered to the principle of operating in good faith and resolutely eliminated any form of tax violation to safeguard our reputation and long-term interests.

### Related Transaction Management

In respect of the management of connected transactions, we have formulated the *Decision-making System for Connected Transactions* in accordance with the *PRC Company Law*, the *Accounting Standards for Enterprises No.36*, the *Rules Governing the Listing of Stocks on the STAR Market of the Shanghai Stock Exchange* and other relevant laws, and in conjunction with our actual situation, to clearly stipulate the deliberation and disclosure procedures, decision-making procedures, etc. are clearly stipulated. We strictly implement the connected avoidance mechanism, and when considering connected transaction matters, connected directors and connected shareholders must avoid voting.

#### During the Reporting Period

We did not engage in any irregular connected transactions.

## Investor Relations Management

In order to strengthen communication between Huate Gas and investors, especially small and medium-sized investors, and to promote investors' understanding of us. In accordance with the Guidelines for the *Administration of Investor Management for Listed Companies* and other relevant regulations, and taking into account the actual situation, we have formulated the *Investor Management System*, which aims to enhance the transparency of our production and operations, enable investors to better understand our operations, and effectively safeguard the rights and interests of investors.

### Information Disclosure

We standardise the information disclosure process and strictly implements our internal *Information Disclosure Management System*, *Information Suspension and Exemption Disclosure Business Management System*, *Voluntary Information Disclosure Management System* and other relevant systems to strengthen the quality of information disclosure, ensure the truthfulness, accuracy, completeness and timeliness of information disclosure and safeguard the investors' right to know, which are published in *China Securities Journal*, *Shanghai Securities Journal*, *Securities Times*, *Securities Daily* and the website of Shanghai Stock Exchange and other platforms for investors to read.

#### During the Reporting Period

4 Periodic reports ; 153 Interim reports have been disclosed to the public.

## Investor Communication

In order to further strengthen the communication between Huate Gas and investors and potential investors, to enhance investors' understanding of us, and to further improve the corporate governance structure, we have established an investor relations management function, formulated the *Investor Relations Management System* taking into account the actual situation, actively organised performance briefings through various channels, platforms and levels, and conducted investor relations management activities using new media. At the same time, we have set up an "Investor Relations" section on our official website (www.huategas.com) to facilitate investors' access to relevant information. We also actively respond to investors' questions through emails, conference calls, on-site surveys and SSE e-interaction, and strive to present a true, transparent and compliant image of the listed company.

### During the Reporting Period

We held a total of **4** regular report performance briefing sessions, **1** collective investor reception day, e interactive response to **49**, the response rate of **100%**. At the same time, we organise **100+** investor exchanges with **400+** participating organisations.

## Investor Returns

We attach importance to creating value for our shareholders, focus on rewarding our shareholders and society with excellent performance, strictly implement the profit distribution policy stipulated in the Articles of Association, formulate the shareholder return plan for the next three years (2022-2024) and continue to establish and improve the system related to profit distribution in conjunction with the actual situation, further improve the decision-making and supervision mechanism of dividend distribution in a sustainable, scientific and stable manner, and actively reward the majority of our investors.

Huate Gas's 3-year Cash Dividend, CNY

Key performance	2023	2022	2021
Dividend per 10 shares (including tax)	5	3.99	3.5
Cash dividend amount (including tax)	59,941,393.50	47,893,302.82	42,000,000
Cash dividend amount as a percentage of total profit distribution	46.62%	42.62%	32.48%

## Corporate Ethics

### Anti-Corruption

Well aware of the importance of integrity and honesty for the development of the company, Huate Gas attaches great importance to the work of advocating cleanliness and anti-corruption construction, and resolutely prevents corrupt behaviours. We strictly abide by the laws and regulations and regulatory requirements, and have formulated the *Business Ethics Management System*, which adopts a zero-tolerance attitude towards any illegal and corrupt behaviours, and resolutely stops and combats them.

### During the Reporting Period

We organised **25** training sessions on anti-corruption and integrity, with **50** hours of training. We did not experience any major violation of integrity management incidents, no corruption and no facts of legal proceedings involving violation of any domestic or foreign misconduct throughout the year.

### Anti-Unfair Competition

Huate Gas is well aware of the importance of the principle of fairness and honesty in business competition, which is not only related to the reputation and long-term development of the enterprise, but also the respect and maintenance of consumers and the whole market order. Therefore, we firmly reject all unethical or illegal business practices, such as false publicity, price fraud, commercial bribery and so on.

### During the Reporting Period

There were no lawsuits related to anti-unfair competition, antitrust and antimonopoly.

## Information Security

### Information Security Management System

In order to protect the interests of the company from being infringed upon, enhance the competitiveness of the enterprise, and strengthen the management of our trade secrets, Huate Gas has formulated the *Confidentiality Management Provisions, IT Information Security Management Provisions* and other internal management systems, and put forward the information security policy of **Active Prevention, Timely Detection, Rapid Response, and Ensuring Security**, to enhance the awareness of the staff of the information security, to provide a reliable guarantee for the stable operation of the information system, so as to achieve the laws and regulations to be observed and acted in accordance with the rules and regulations.

At the same time, we have set up the Information Security Organisation to ensure the safe, efficient and stable operation of the security system.

Concept	Our Actions
Proactive Prevention	<ul style="list-style-type: none"> <li>Continuously improve and implement information security measures to prevent information security incidents.</li> </ul>
Timely Detection	<ul style="list-style-type: none"> <li>Through the information network monitoring platform and centralised log management system, together with administrative monitoring, security and other measures, information security risks are detected in a timely manner.</li> </ul>
Rapid Response	<ul style="list-style-type: none"> <li>Relying on the alarm events provided by the information security support system and the early warning information provided by the administrative security and various functional departments, we will do real-time follow-up and report different events to the relevant business leaders respectively;</li> <li>For those that may cause local or global impacts, they are promptly reported to the IT manager for processing, and according to the level of the incident, they are sequentially reported to the information security leading group for processing.</li> </ul>

### Information Security Organisation

<b>Information Security Officer</b>	<ul style="list-style-type: none"> <li>Coordinate and organise our information security work, and report directly to the immediate leader.</li> <li>According to the needs of business development, formulate the our information security system planning, and promote the deployment, implementation and evolution of the information security system.</li> <li>Organise security system audits, and fully explore, assess and eliminate our information security risks.</li> <li>Formulate contingency plans for information security risks.</li> <li>Organise the disposal of information security emergencies.</li> <li>Preventive warning and notification of information security.</li> </ul>
<b>Information Security Leadership Group</b>	<ul style="list-style-type: none"> <li>Organise and manage the technical team of the department, coordinate the resources and division of labour of the department.</li> <li>Participate in the construction of information security system and projects, and promote the implementation.</li> </ul>
<b>Department Manager</b>	<ul style="list-style-type: none"> <li>Carry out the tasks assigned by the superior, responsible for dealing with unexpected information security incidents, to ensure that our IT system is safe, efficient and stable operation.</li> <li>Responsible for monitoring and managing the information security of the department and requiring the information security of the department to be implemented according to the national information security requirements. And cooperate with IT department to implement the overall IT security construction.</li> </ul>

### Safeguards

#### Management of Information Security Personnel

- Employees need to sign a confidentiality agreement
- All project team members of high-security projects sign a special confidentiality agreement and receive information security training, and project personnel are required to work centrally in the project area.
- According to the *Key Positions (Information Security) Management Rules*, establish a list of key positions for information security and conduct information security training.

#### Information Security Training

- Organise information security training for new employees to ensure that employees are clear about their information security responsibilities.
- Regularly organise information security training for current employees.

#### Strengthening of Safety and Security Capacity

- Establishment of internal audit team.
- Carry out information security internal audit at least once a year.
- The audit team promotes the relevant responsible departments to improve on the problems found in the audit.
- Adopting data encryption tools to prevent unauthorised leakage of confidential data.
- Monitor the real-time status of servers and network devices in the domain through monitoring software and generate logs.

#### Information Leakage Incident Contingency Plan

- Set up an emergency response team to control the scope of information leakage and investigate the incident.
- Formulate *HT-IT-002 IT Major Emergency Overall Emergency Response Plan* to deal with the emergency situation in the information server room.

### During the Reporting Period

4 Information security training sessions were conducted      20 participants in training  
6 hours of training      0 Information security-related incidents





## Party Building

Huate Gas adheres to the original intention, taking Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as the guidance, closely combines with the spirit of CPC Central Committee and Guangdong Provincial Party Committee's Economic Work Conference, closely combines the Party building work with production and operation, and takes the Party building as the leading role in promoting the overall development.

During the reporting period, in order to strengthen the staff's understanding of the history of the Party and the Party committee's theories, we organised a number of staff to participate in activities to learn about the Party's history and to visit the old site of the Workers' Committee. It also stimulated the enthusiasm and creativity of the party members, and injected a strong spiritual impetus for the sustainable development and innovation. Huate Gas will continue to deepen the party history learning and education, promote the overall quality of the staff team, and contribute to the realisation of our development goals.

### Party and Group Construction

The Party branch of Foshan High-tech Industry Association and the Party branch of the company jointly carried out the Party building activities with the theme of "Remembering the mission of the beginning, strengthening the responsibility to bear", with the participation of nearly 30 Party members and activists. The activity invited the professor of Marxism School of Foshan Institute of Science and Technology to share the spirit of the 20th CPC National Congress, socialist core values and patriotism, which strengthened the sense of responsibility of the party members.



### Visit to the Former Site of Nan San Hua Labour Committee

After the learning and exchange meeting of party building activities, the party members arrived at the former site of South Sanhua Labour Committee for a visit together. Through the combination of theory and practice, the party members revisited the history of the party, traced the red marks, and once again deeply felt the struggling spirit of the Communist Party of China, which is not afraid of hardship and difficulties, and inspired the mission to bear.



### "School-Society-Enterprise" Joint Theme Day Activity

In the afternoon of 25th April, the party branch of Heshun Primary School, together with Lishui Town Education Development Centre, Hefeng Village and Huate Gas Co. The party members first visited the production area of Huate Gas and experienced the advanced technology. Afterwards, they studied the important speech of General Secretary Xi Jinping in the party building room. Finally, the three branches of "school, society and enterprise" had in-depth exchanges on the topics of party building, improving the professional ability of party members and exploring new modes of party building work.



# 02

## Environment

### Environmental Management

#### Perfection of Environmental Management System

Huate Gas consistently puts environmental protection and ecological civilization construction in the core position, upholds the policy of conservation, protection and restoration, promotes the coordination of development and resources and environment, so as to build a resource-saving and environment-friendly enterprise.

#### Key indicators of Huate Gas's environmental performance in 2023

- CNY **944.6** Thousand in total environmental protection expenditures;
- 100%** simultaneous operation of environmental protection facilities;
- 100%** implementation rate of "three simultaneous" environmental protection for construction projects.

We conduct in-depth research and implementation of environmental protection laws and regulations, focusing on enhancing strategies and systems, while continuously integrating green and low-carbon concepts and technologies into production and operations. To address existing and potential ecological environmental issues effectively, as well as to strike a proper balance between production operations and the ecological environment, we have developed a comprehensive set of environmental management rules and regulations that have been compiled into reference materials.

Our environmental management system is certified for compliance with the requirements of ISO 14001:2015 "Environmental management systems – Requirements with guidance for use".



ISO 14001:2015 Environmental Management System Certification of Guangdong Huate Gas Co., Ltd.



ISO 14001:2015 Environmental Management System Certification of Jiangxi Huate Electronic Chemical Co., Ltd.

## Structure of Environmental Management System

We place great emphasis on environmental protection efforts, increase investment in environmental protection, and strictly adhere to the relevant rules and regulations for environmental management. The general manager assumes the highest responsibility and decision-making authority for safety and environmental protection, utilizing the HES department as a liaison to connect with department heads in order to establish Huate Gas's environmental management structure.

Structure of Environmental Management System

Executives of Structural Units	Responsibility														
General Manager	<ul style="list-style-type: none"> <li>Responsible for managing quality, environment, and safety by establishing an effective management system and ensuring the successful implementation;</li> <li>Communicate the significance of complying with customer and regulatory requirements to the entire company, and identify and provide the necessary resources for effective management system implementation;</li> <li>Responsible for assessment, continuously improve quality, environment and safety management system.</li> </ul>														
Division Principal	<ul style="list-style-type: none"> <li>The highest principal of wastes treatment;</li> <li>Conscientiously promote and enforce environmental protection policies, laws, and regulations, while closely monitoring and inspecting their implementation across various departments, with particular emphasis on the production workshop;</li> <li>Responsible for cooperating with superior authorities to carry out inspection and investigation, formulating the rules of environmental protection management system as well as maintenance and improvement of various environmental protection equipment;</li> <li>Responsible for the formulation of assessment methods for environmental protection staff, and put forward rewards and punishments for contributors to environmental protection and those responsible for accidents;</li> <li>Implement the work plan of cleaner production, organize and coordinate environmental monitoring work;</li> <li>Organize investigation of environmental accidents.</li> </ul>														
HSE	<ul style="list-style-type: none"> <li>Develop environmental protection work plan, layout testing projects;</li> <li>Supervise the implementation of environmental protection management system, organize the relevant departments to negotiate and discuss the problems found, come up with solutions to the problems, and report to leaders at any time;</li> <li>Apply for technical transformation of environmental protection equipment, electrical appliances, etc;</li> <li>In the management of construction projects, strictly control the "three simultaneous", and ensure the normal operation of environmental protection facilities;</li> <li>Responsible for the preparation of environmental accident emergency plan, and regularly organize personnel to conduct drills, and overall planning of hidden danger investigation;</li> <li>Responsible for the daily management and operation of environmental protection work.</li> </ul>														
Functional Department	<table border="1"> <tr> <td>Ministry of Audit</td> <td>Investment Planning</td> <td>Quality Control</td> <td>Finance</td> <td>Sales</td> <td>Product</td> <td>International Business</td> </tr> <tr> <td>Purchasing</td> <td>Human Resource</td> <td>Logistics</td> <td>Bond</td> <td>IT</td> <td>Technology</td> <td>Research and Development Center</td> </tr> </table>	Ministry of Audit	Investment Planning	Quality Control	Finance	Sales	Product	International Business	Purchasing	Human Resource	Logistics	Bond	IT	Technology	Research and Development Center
Ministry of Audit	Investment Planning	Quality Control	Finance	Sales	Product	International Business									
Purchasing	Human Resource	Logistics	Bond	IT	Technology	Research and Development Center									

## Implementation of the Environmental Policy

As a responsible manufacturing enterprise, we earnestly fulfill our environmental obligations and are committed to realizing our commitment to being environmentally friendly. We continuously improve our environmental management system, increase investment in environmental protection, and set environmental management targets based on business situation and national "double carbon" goals.

Environmental Target and Achievement Status

Environmental Target	Actual Performance	Target Achievement Status
No gas, pressure vessel explosion and major leakage accidents	The number of leakage accidents is zero	All achieved
Non-fire accident	The number of fire accidents is zero	
Hazardous waste is transferred legally and handed over to qualified units for treatment	Full legal disposition	
Reduce electric power consumption	Output value per kWh ≥ 150 thousands	
Noise emission compliance	No excess emission	

In order to ensure the steady progress of environmental protection work, achieve expected environmental protection goals, strengthen leadership and management in environmental protection efforts, safeguard employee health during production labor and prevent pollution of the environment, as well as effectively prevent incidents of environmental pollution, we have established an *Environmental Responsibility System* and *Environmental Protection Target Responsibility System*, ensuring vertical accountability from top to bottom and horizontal responsibility across all levels.



## Environmental Risk Management

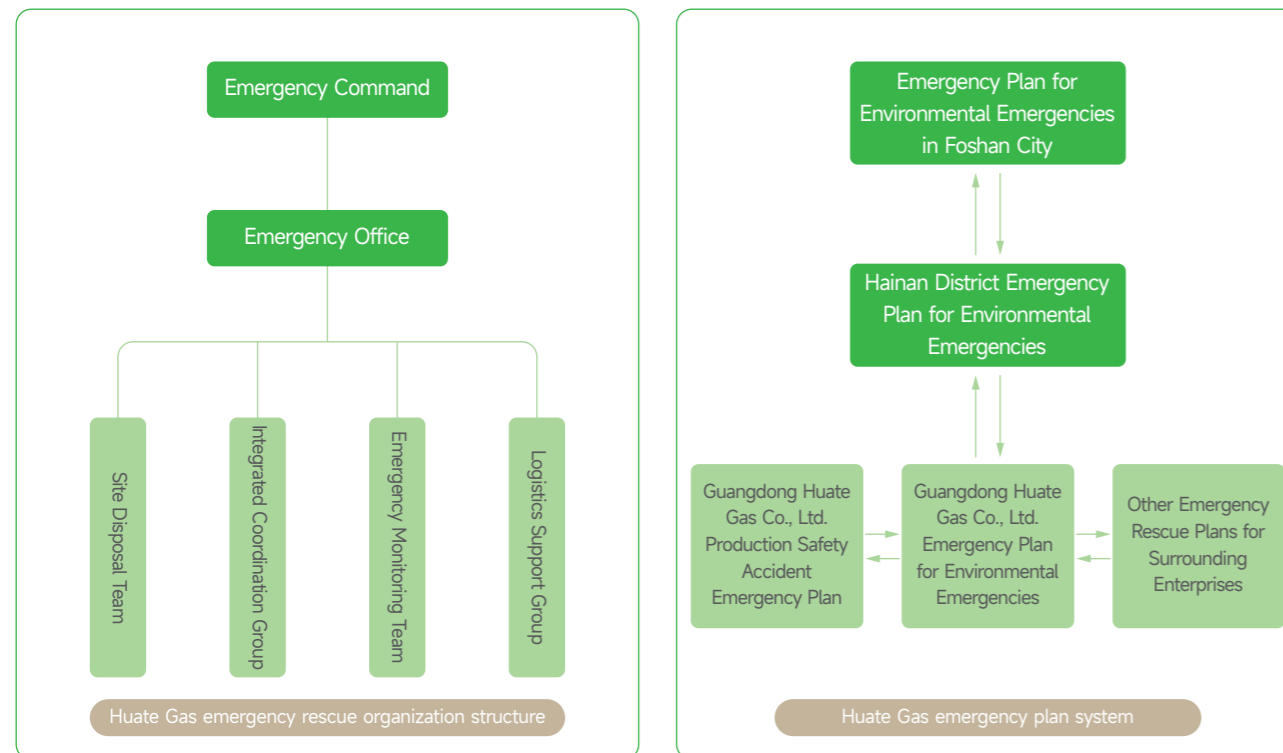
### Our System

Huate Gas follows the principle of "prevention first", strictly carries out environmental risk inspection and assessment, and establishes a series of environmental risk management systems such as *Risk and Opportunity response measures control Procedures*, *Environmental factor identification and importance control procedures* and *Hazard identification, Risk assessment and control measures determination procedures*. We are committed to carefully implementing risk control measures to further strengthen the monitoring and management of environmental risks and strengthen environmental supervision.

Huate Gas regularly conducts strict inspection and assessment of the environmental risk management system, and timely reevaluates and revises the control procedures to ensure their adequacy and suitability.

### Our Approach

Huate Gas continues to improve the environmental risk prevention and control and emergency measures system, formulates the "Huate Gas Emergency Plan", sets up an emergency organization, and builds an environmental emergency response plan for us and surrounding enterprises, district level and municipal level. Through the cooperation, we can minimize the loss, event impact and pollution level in the shortest possible time and with minimal resources.



### Emergency Measure

We continue to monitor and manage environmental risk receptors, environmental risk source substances, environmental risk units and major risk sources, regularly analyze and review historical environmental emergencies, and prevent and control environmental emergencies.

Risk group	Description	Risk management	Probability
Leakage of hazardous chemicals in tank area or storage area	<ul style="list-style-type: none"> <li>The leakage material is discharged into the surface water through the storm water network.</li> </ul>	<ul style="list-style-type: none"> <li>Develop hazard inspection system, and arrange personnel to conduct regular inspection, and set up 24h monitoring in the storage tank area.</li> <li>Set fire hydrants in the corresponding positions in the warehouse and storage tank areas.</li> <li>A 150m<sup>3</sup> cofferdam area is set up in the methanol storage tank area as an emergency pool, and a 750m<sup>3</sup> emergency pool is set up in the northeast side of the plant area, equipped with valves and pumps.</li> </ul>	Low
Chemical leakage	<ul style="list-style-type: none"> <li>Hazardous wastes such as fire sand used in the accident are not properly disposed of and affect the environment.</li> </ul>	<ul style="list-style-type: none"> <li>Empty barrels are set in the raw material warehouse to transfer leaking chemicals.</li> </ul>	Low
Domestic sewage and production wastewater leakage	<ul style="list-style-type: none"> <li>Leaking chemicals volatilize and pollute the atmosphere.</li> </ul>	<ul style="list-style-type: none"> <li>The plant rainwater discharge outlet is equipped with a cut-off valve</li> <li>Waste fire sand and other hazardous waste used in the accident shall be disposed of outside.</li> </ul>	Low
Hazardous waste leakage in holding room	<ul style="list-style-type: none"> <li>The failure of waste gas treatment facilities leads to the escape of waste gas, which endangers human health and pollutes ambient air.</li> </ul>	<ul style="list-style-type: none"> <li>Stop filling and other processes of production.</li> </ul>	Low
Gas leakage	<ul style="list-style-type: none"> <li>During the fire fighting, the fire fighting wastewater containing chemicals is produced, which spills everywhere and is discharged into the surface water through the rainwater pipe network.</li> <li>In the process of fire, a large number of toxic and harmful smoke is produced, which pollutes the atmosphere.</li> </ul>	<ul style="list-style-type: none"> <li>Establish hazard inspection system and arrange personnel to conduct regular inspection.</li> <li>The warehouse and storage tank area are equipped with more perfect fire fighting facilities, fire lanes and fire spacing.</li> <li>There is a 750m<sup>3</sup> emergency pool in the northeast corner of the factory, and the rainwater collection pipe network in the factory is used as the fire waste water collection pipe network in the whole factory. We set a cut-off valve at the total rainwater discharge outlet, and the rainwater pipe network at the other end is connected to the emergency pool. The cut-off valve is also set before the emergency pool, and the bottom of the rainwater stop valve is flat and the rail is set. By closing the rainwater cutoff valve and opening the cutoff valve of the emergency pool, the rainwater drainage in the factory can be cut off. The fire fighting wastewater enters the emergency pool through the rainwater pipe network in the factory. If the amount of rainwater and fire fighting wastewater is too much, the water pump can be used to quickly pump it to the emergency pool.</li> </ul>	Medium



**Training**

In order to better carry out emergency rescue operations for environmental risk accidents, we have set up an emergency rescue team, which is based on the engineering production operators. After the team is set up, the training of safety knowledge and rescue professional knowledge is carried out once a month. The environmental protection technicians teach the rescue personnel safety and rescue professional knowledge, and regular drills and assessments are carried out.

**Hydrogen tube bundle filling leakage fire, sudden environmental events, and emergency evacuation drill**

To improve safety awareness and emergency response among employees, we conducted an emergency environmental incident and evacuation drill on July 18, 2023. The drill aimed to enhance self-rescue and rescue skills in the event of special equipment accidents, improve rapid response, emergency rescue, and collaborative rescue abilities, and comprehensively improve the ability to deal with sudden production safety accidents and environmental incidents, such as hydrogen tube bundle car charging leakage and fire.



**Inspections**

We have established a responsibility system for environmental impact hazard investigation and management, with the Environmental Protection, Health and Safety Department as the responsible organisation for hazard investigation and management, and departmental managers leading departmental technicians and cooperating with the relevant departments of the enterprise to carry out environmental impact hazard investigation and management, and to establish and implement a post responsibility system for environmental impact hazard investigation and management on a level-by-level basis.

**Environmental Impact Hazard Identification**

In order to identify, assess and control risk factors that may have a negative impact on the environment, we conduct regular general hazard inspections, specialised hazard inspections, seasonal hazard inspections, pre-vacation hazard inspections and daily hazard inspections. Hidden hazard inspections are used to detect unsafe human behaviour, unsafe conditions and environmental influences in advance, and to identify and resolve potential problems in time to prevent and reduce environmental pollution.



**Climate Change**

Huate Gas followed the relevant laws and regulations and formulated a comprehensive emergency response plan for production safety accidents, aiming to further improve our defence strategy in the face of various natural disasters, and to build a set of systematic, standardised and institutionalised response mechanism against typhoons and rainstorms.

In order to ensure that rescue and relief operations in the event of typhoons and storms are carried out in an orderly and efficient manner, we have set up a typhoon and storm emergency response team to ensure that, in the event of a disaster, we can minimise casualties and property damage and ensure that normal, safe production and life are not affected.

**Raising Environmental Awareness**

To ensure our employees understand the relevance and importance of their work to the environmental management system, we provide regular training sessions. These sessions deepen their knowledge and understanding of the environmental management objectives and enhance communication through regular meetings, thematic studies, and cultural newsletters. Our aim is to contribute to the achievement of the management objectives.

**Reporting period**

**6** environmental training in calendar year 2023;

**71** employees participated in training.



Ethylene Oxide Gas Leakage Emergency Disposal Exercise

To improve the supervision and management of environmental protection, regulate employee behaviour, and enhance their environmental awareness, we have created the 'Environmental Protection Reward and Punishment Management System'. This system will punish employees who violate environmental regulations based on the severity of their actions and reward those who make outstanding contributions to environmental management.

Resources

Energy Management

Huate Gas consumes mainly electricity, diesel, and petrol during production and operation. To enhance energy management, we diligently study and implement General Secretary Xi Jinping's guidance on energy conservation and environmental protection. We continuously refine our energy management system to achieve our energy-saving and consumption-reduction objectives.

Energy Conservation Leading Group

Layer	Person in charge	Duty
Group leader	General manager	<ul style="list-style-type: none"> <li>Responsible for researching and making decisions on major issues of energy conservation, and listening to regular reports on the work of the deputy head and members of the team.</li> <li>Formulate work requirements for promoting energy conservation and energy management, and propose specific energy conservation targets to the Energy Conservation Group.</li> </ul>
Deputy leader	Director of Operations	<ul style="list-style-type: none"> <li>Regularly check the implementation of energy-saving measures in each department, and host a regular meeting on energy management once a month.</li> <li>Formulate assessment methods with clear rewards and punishments.</li> <li>Implementing the renovation funds for energy-saving planning.</li> </ul>
Members	Departmental managers	<ul style="list-style-type: none"> <li>Responsible for specific energy management and promoting the implementation of our energy efficiency improvement, energy saving planning, energy saving training and energy saving publicity.</li> <li>Handle the relationship between daily production and energy-saving renovation, implement the maintenance and renovation time of energy-saving projects, and ensure the successful completion of renovation projects.</li> <li>Energy efficiency training and energy efficiency promotion.</li> </ul>

Energy Consumption by Huate Gas (2023)

Direct Energy	Diesel (tons)	2,762.41
	Petrol (tons)	111.58
Indirect Energy	Electric power (KWh)	5,409,225

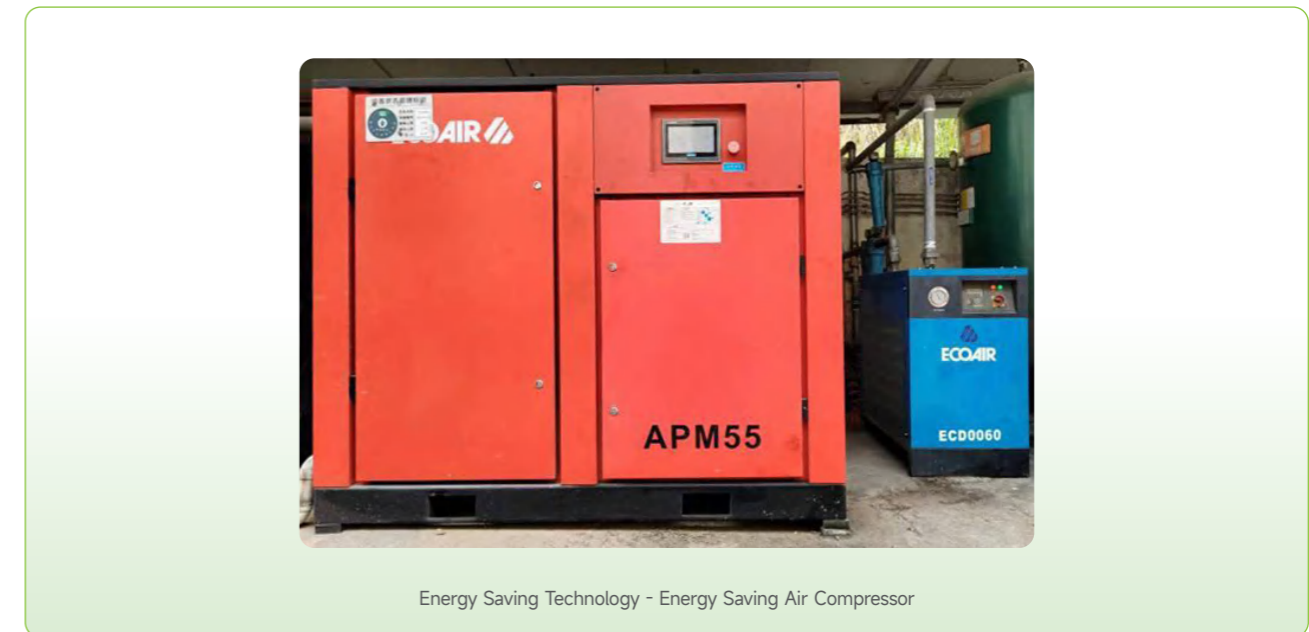
Note: The above data are consolidated.

Huate Gas commits to complying with energy laws, regulations, and other requirements. We actively implement the national 'dual-carbon' strategy, promote clean production, reduce energy consumption at the source, and adopt new energy-saving technologies, processes, and materials to improve energy efficiency and promote the development of a circular economy. It uses energy efficiently, establishes and improves energy management, fulfils the social responsibility, and achieves sustainable development.

Energy Efficiency

Energy Saving Technologies

To strengthen corporate energy and conservation management, we prioritize energy-saving technological transformations and promote enhanced energy efficiency and reduced emissions through our technological innovation strategy. During the reporting period, Huate Gas focused on transforming production facilities to save energy, planning plant areas more efficiently, and developing a recycling economy. These efforts were aimed at exploring energy-saving potentials, improving energy efficiency, and reducing energy waste.



Energy Saving Technology - Energy Saving Air Compressor

Promotion

Huate Gas is committed to promoting energy-saving and emission reduction by actively carrying out energy-saving training and publicity. We urge our employees to form good behavioural habits of consciously fulfilling energy-saving and emission reduction, eliminating waste, and contributing to the development of the enterprise. This will ensure that the overall development strategy can be achieved.

We focus on low-carbon operations and always aim to save resources and eliminate waste in our daily office work. We also strive to promote awareness of the low-carbon economy, energy-saving, and green office practices among our employees. To achieve this, we strictly control the power consumption of lighting and electrical equipment in the office area and encourage employees to practice energy-saving actions. Our goal is to enhance the awareness of energy-saving and emission reduction among our employees. Additionally, we frequently organise events focused on energy conservation and carbon reduction to enhance employees' comprehension of the importance of energy efficiency and emission reduction. This will enable us to more effectively advance our objective of achieving carbon neutrality.

## Water Stewardship

We value the management of water resources and adhere to the concept of conserving every drop of water. We prioritize the daily maintenance and management of water supply equipment and pipelines during production and office operations. We strictly prohibit running, risking, dripping, and leaking, and eliminate the occurrence of prolonged water flow to ensure the rational use of water resources.

### Reporting period

**118,376** tonnes of water consumption      **6,180** tonnes of water saving      **5%** of water recycled

## Green Office

At Huate Gas, we pay attention to details and guide our work based on concepts. We incorporate the idea of resource conservation into every aspect of our work. We aim to improve our office's sustainability by implementing several measures. Firstly, we will strengthen our management of office supplies and reduce the issuance of paper notices. We also encourage double-sided printing and will publish all notices and announcements online. Additionally, we have established a management system for the collection and use of office supplies and accounts to reduce the waste of disposable office consumables. Secondly, we will adopt the form of telephone or video conferencing instead of traditional on-site meetings to reduce unnecessary travel. We will also regulate the use of cars for travelling and advocate the use of new energy vehicles to effectively save travelling costs and reduce the consumption of resources.

## Emissions Management

Huate Gas adheres strictly to all relevant laws and regulations, and continuously strengthens the management of environmental emissions to ensure compliance with applicable laws, regulations, and standards.

### Environmental Pollution Management Measures

- Environmental monitoring is implemented, with a focus on monitoring each pollution source and maintaining accurate records. A third party is commissioned quarterly to test exhaust gas, wastewater, and other pollutants.
- Manage the environmental protection facilities operation record ledger strictly. This includes the purchase, use, and storage management ledger of raw and auxiliary materials, hazardous waste collection and handover records, transfer and handover records, and records of environmental emergencies.
- Hazardous wastes generated are entrusted to qualified units for treatment.
- Each production department and team maintains equipment and facilities to prevent leakage.
- Implement a pollution accident reporting system. In the event of a pollution accident, issue a preliminary report to the district environmental authority.

## Wastewater Management

To improve our environmental performance, competitiveness, and promote sustainable development while achieving cleaner production, Huate Gas has developed a wastewater management system in compliance with relevant laws and regulations. This system strengthens our control and management of water pollutant discharges during our production process.

The wastewater generated in our production operation includes staff living sewage, kitchen wastewater, production wastewater, and empty 12mL gas cylinder cleaning wastewater. During the reporting period, we continued to recycle wastewater, developed advanced industrial wastewater treatment technologies such as the recycling of RO concentrated water, optimized wastewater management, and promoted wastewater and sewage reduction.

### Reporting Period

**46,333** tonnes of wastewater      Recycled **9,159** tonnes of wastewater

### Wastewater Discharge Indicators

Type	Sewage Discharge in 2023, tons	Processes		
		Preprocessing	Methods	Disposal
Domestic sewage	66,340	Tertiary septic pre-treatment	"Hydrolytic acidification + contact oxidation + precipitation + disinfection process" treatment.	After meeting the local Guangdong provincial standard, it is discharged to the Hegui Wastewater Treatment Plant via the Lishui Municipal Pipeline Network.
Kitchen wastewater	5,847	Grease trap pre-treatment		
Production effluent	29,800			
Water for cleaning	7,620		Self-built sewage treatment facilities (treatment process of coagulation and sedimentation + A/O biochemical + membrane biological reaction) treatment.	Recirculation back to the cleaning line, equipment cooling make-up water and water spray make-up water, no external emissions.

## Air Pollution Management

Huate Gas is committed to managing air pollution by strictly controlling air pollutants generated during production and operations. We aim to minimise the environmental impact on our operation site by monitoring exhaust emissions at least four times a year, during periods of relative production stability.

We use a combination of classified collection, efficient treatment equipment, and refined management to reduce emissions. Additionally, we use spray purification towers to recycle and treat exhaust gases.

### Reporting Period

**1702.1** tonnes of exhaust gases were emitted in fiscal year 2023.

## Noise Control

Huate Gas generates noise during the operations mainly from the operation of vehicles and various mechanical equipment. As an enterprise committed to building an efficient and environmentally friendly production process, Huate Gas is well aware of the impact of noise on our employees and the surrounding community. To minimize the impact on the surrounding acoustic environment, we have implemented several measures. These include regular monitoring of ambient noise at the plant boundary, as well as the use of sound isolation and vibration-damping techniques. Our goal is to ensure that the noise at the plant boundary complies with Category 2 standards as outlined in the *Standard for the Emission of Noise from the Plant Boundaries of Industrial Enterprises* (GB12348-2008).

## Waste Handling

Huate Gas has formulated *Waste Management Control Procedures* to manage solid waste generated during production and operations. We have also established a responsibility system for pollution prevention and environmental control throughout the entire process of solid waste generation, collection, storage, transportation, utilization, and disposal. In addition, Huate Gas has created solid waste management accounts to accurately record the types, quantities, flow, storage, utilization, and disposal of solid waste. These measures ensure that solid waste can be traced and queried, and prevent industrial solid waste from polluting the environment. We must establish a solid waste management account to record the type, quantity, flow direction, storage, utilization, and disposal of solid waste truthfully. It should also ensure that solid waste is traceable and accessible while taking measures to prevent and control environmental pollution caused by industrial solid waste.

To comply with legal requirements, we engage qualified third parties to dispose of or reuse solid waste generated during production. This helps to reduce waste pollution in the environment. Key waste discharge units will regularly disclose waste disposal information to the public.

### Solid Waste Emission Indicators

		Generation in 2023, (tons)	Processing flow
General waste	Generation capacity	82.26	<ul style="list-style-type: none"> <li>Domestic and office solid waste should be collected and handed over to the sanitation department for disposal.</li> <li>Industrial solid waste should be uniformly stacked in the general solid waste bin and recycled by general waste recycling companies.</li> </ul>
	Quantity disposed	82.26	
Hazardous waste	Generation capacity	35.56	<ul style="list-style-type: none"> <li>Once a certain amount of hazardous waste has been collected and stored in the designated bin, it will be regularly handed over to professional environmental protection, recycling, and disposal organisations for treatment.</li> <li>The waste catalyst is recycled by the manufacturer.</li> </ul>
	Quantity disposed	27.24	

We strongly advocate for reducing industrial solid waste at the source and promoting the efficient and comprehensive large-scale utilization. We also prioritize the high-value recycling of renewable resources. Our focus is on replacing outdated equipment through technological reforms to increase production rates and reduce emissions targets. Additionally, we are developing new processes to enhance the efficiency of industrial resource utilization and the comprehensive utilization of solid waste.



## Storage Room for Hazardous Waste

Regarding the end treatment, we established a temporary storage room for hazardous waste in compliance with GB18597-2001 regulations. We displayed warning signs for the hazardous waste storage area and implemented measures to protect against wind, rain, and sunlight. Additionally, we packed the hazardous waste in bags, attached hazardous waste labels to the packages in a visible location, and submitted a hazardous waste management plan along with solid waste disposal measures to the competent department of ecology and environment.



To ensure our employees fully comprehend the dangers of hazardous waste and the significance of environmental protection, we have arranged professional training on hazardous waste management and disposal.



Environmental Equipment Hazardous Waste Management Training



Hazardous Waste Standardised Management Training

## Biodiversity Preservation

Huate Gas complies with national environmental regulations and considers environmental protection a crucial aspect of our development. We are committed to preventing harm to both marine and terrestrial ecosystems and executing our projects in an environmentally friendly manner.

In our investment projects, we always prioritize reducing negative environmental impact. We firmly implement the 'three simultaneous' concept, which means that environmental protection facilities are designed, constructed, and put into operation at the same time as the main project. We regularly test the ecological and environmental impacts within a 5-kilometre radius of the plant boundaries. This includes surface water, groundwater, atmosphere, and acoustic environment to ensure compliance with national and local environmental quality standards.

No changes were made to the original text as it already meets the desired characteristics of clarity, conciseness, precision, formality, structure, professional vocabulary, grammatical correctness, and preservation of original meaning and quotes. The text is free from errors and effectively conveys the intended message without the need for further modifications.



# 03

## Product

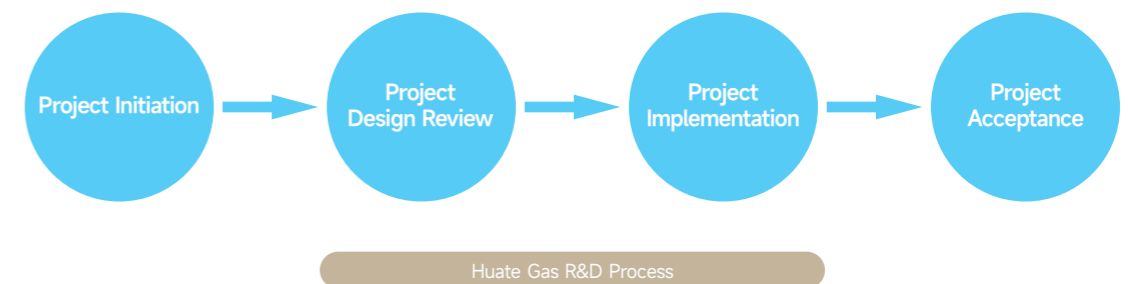
### Innovation

#### Innovation Management

We place significant emphasis on research and development (R&D) and innovation. To standardise the process of designing and developing new products, we have implemented the *New Product Development System* and the *Project R&D Management System*. To standardise the process of designing and developing new products, we have implemented the 'New Product Development System' and the 'Project R&D Management System'. To standardise the process of designing and developing new products, we have implemented the 'New Product Development System' and the 'Project R&D Management System'. These systems aim to strengthen the management and supervision of the R&D process, ensuring that it is carried out in an orderly manner.

Once the development of new products is complete, a third party will test them to ensure that the indicators meet customer needs. Qualified products will then be sent to customers for trial, and user reports will be issued.

During the reporting period, all of our research and development processes complied with the requirements, and we conducted phased audits in accordance with the progress of the project, with a cumulative total of four audits.



#### Incentive Scheme

Innovation is crucial for development. To better mobilise the enthusiasm and creativity of technology research and development personnel, we have developed the *R&D Personnel Performance Appraisal Methods* and *Core Technical Personnel Project Payroll Management System*. These measures will effectively improve the efficiency of R&D resource allocation, stimulate innovation, and accelerate the promotion of our major scientific and technological research and development results transformation.

To encourage employees to innovate technologically, we have established the *Provisions on Project (Patent) Declaration Reward* and other innovation reward systems. These systems provide bonus incentives to those who provide clues or suggestions for research and development projects. Additionally, a one-time high bonus will be given to those whose contributions are particularly significant.

**During the Reporting Period**

CNY **411,796** incentive bonus granted to employees in fiscal year 2023.

## Collaboration with R&D Centers and Universities

Cooperation with universities is an essential aspect of our R&D platform building initiatives. We have formulated a management system for industry-university-research cooperation. Currently, we have a close R&D partnership with South China University of Technology. Additionally, we have established a post-doctoral research mobile station to sustain R&D investment and keep our products advanced.

### Foshan City Industrial Field Project

This project focuses on researching the depth purification of electronic special gases used in advanced semiconductor processes of 8 inches and above, analyzing and detecting trace impurities, treating the inner walls of gas cylinders, and developing gas storage and transportation technologies. The goal is to achieve breakthroughs in the purification technology of ultra-high purity nitrogen. The production line will manufacture ultra-high purity argon, krypton, and xenon, as well as high purity octafluorocyclobutane. The products will reach a leading level in the country, with some indexes reaching the advanced level internationally. Additionally, there have been breakthroughs in the purification technology of ethylene and propylene hydrocarbons. The purification technology for ethylene and propylene hydrocarbons is used to create technical reserves and provide strong technical support for large-scale production. Additionally, forward-looking technology development and research is carried out to address basic common technical problems in related areas. This helps to solve common weak links such as process, equipment, testing, standards, and production quality. Ultimately, this leads to the gradual formation of a complete electronic gas industry with independent development capability. Accelerate the adoption of domestic electronic gases in the production and manufacture of chips in the semiconductor and integrated circuit industry in Guangdong Province and throughout the country. This will help to substitute imported gases with locally produced ones and enhance the market application of these gases while promoting the transformation of scientific and technological achievements.

### R&D and Engineering Platform for Electronic Gases for Semiconductors and Integrated Circuits

Through independent science and technology projects, and actively undertake all kinds of science and technology plans and projects, in view of the technical needs of the industry and industrial development, especially limited imports and products of strategic significance in the semiconductor field, carry out common technology research, and solve the common weak links such as process, equipment, testing, standards and production quality. Build a technology research and development and engineering verification platform for electronic special gases, key materials in the semiconductor and integrated circuit industry chain, including research laboratories and technical service platforms (gas purification, gas mixing, gas analysis, gas cylinder treatment), and pilot test platforms for achievement transformation, and actively promote the localization process of electronic special gases.

## Fostering and Supporting Young Scientists

To meet the demands of the market economy and foster innovation, we have developed a talent management system that evaluates individuals based on their academic qualifications, professional knowledge, and work experience. This helps to improve the talent structure and allocation of human resources.

The recruitment of R&D personnel is primarily accomplished through various channels, including talent markets, university job fairs, and internal employee referrals. For exceptional candidates, we offer a more flexible compensation and benefits package to enhance our appeal to a diverse range of highly skilled professionals and technical experts.

## Our Results

Through continuous innovation and research and development, we focus on special gas R&D as our core and strive to perfect our electronic special gas product line. We continuously expand our special gas product categories and work towards localising more constrained electronic special gas varieties. We are continuing to introduce new technologies and develop products, while also deepening our technical cooperation and exchange. We aim to strengthen the integration of production, learning, and research.

As of the end of the reporting period, we have now cumulatively achieved import substitution of more than 55 products, and constantly strengthen the continuous investment and transformation of independent intellectual property rights, in-depth practice of our mission as a national high-tech enterprises. Through long-term product development and certification, we have successfully achieved over 90% customer coverage of domestic IC manufacturers above 8 inches.

Our flagship lithography gases (Ar/Ne/Xe, Kr/Ne, F<sub>2</sub>/Kr/Ne, F<sub>2</sub>/Ar/Ne) are certified by ASML and GIGAPHOTON, and are the only gas companies in the country with two certifications. Our products have been supplied in batches to 14nm, 7nm and other production lines, and some fluorocarbon products and hydrides have been used in 5nm advanced manufacturing processes and are continuing to expand coverage. Our self-developed whole-industry chain product - germanane - passed the certification of the 5nm process production line of the largest memory company in South Korea and generated orders. During the period under review, our excimer laser gas products also passed the 193nm test of the German laser manufacturer, further enhancing the Company's recognition and visibility in the field of excimer laser gases.



China National Accreditation Service for Conformity Assessment Laboratory Accreditation Certificate

During the Reporting Period

CNY **5,0428.8** Thousand investments in R&D in 2023

By the end of the reporting period

- Total of **213** authorised patents; **32** authorised patents for invention; **178** authorised patents for utility models; **51** trademarks; **64** papers published
- Hosted or participated in the development of a number of electronic industrial gases, including **1** international standard, **55** national standards, **6** industry standards and **11** group standards.

We have conducted significant scientific research projects, including the *R&D and Pilot Project of High Purity Trifluoromethane* as part of the National Major Science and Technology Special Project (02 Special Project), as well as the R&D of 'Specialty Gases for Flat Panel Displays' in the Pilot Project of Regional Concentration and Development of Strategic Emerging Industries in Guangdong Province (New Generation of Display Technology). We were selected as the only gas company for three consecutive years as one of the 'Top 10 Electronic Chemical Materials Companies in China' in 2017. Additionally, we were selected as one of the 'Top 10 Electronic Chemical Materials Professionals in China' for three consecutive years in 2017, 2019 and 2021. In 2023, we were awarded the sixth 'IC Innovation Award' by China IC Innovation Alliance for the industrialisation of achievements ('IC Innovation Award'). In 2023, we won the sixth 'IC Innovation Award' from China IC Innovation Alliance for their research and development and industrialisation of dilute photolithography gas for integrated circuits. They were also selected as one of the fifth batch of national specialty, specialty and new 'small giants' enterprises. The text mentions several honourable titles, including the Guangdong Provincial Patent Award, the Guangdong Provincial Manufacturing Industry Single Champion, and the 2023 Foshan City Science and Technology Leading Enterprises (Innovation Effectiveness) award.

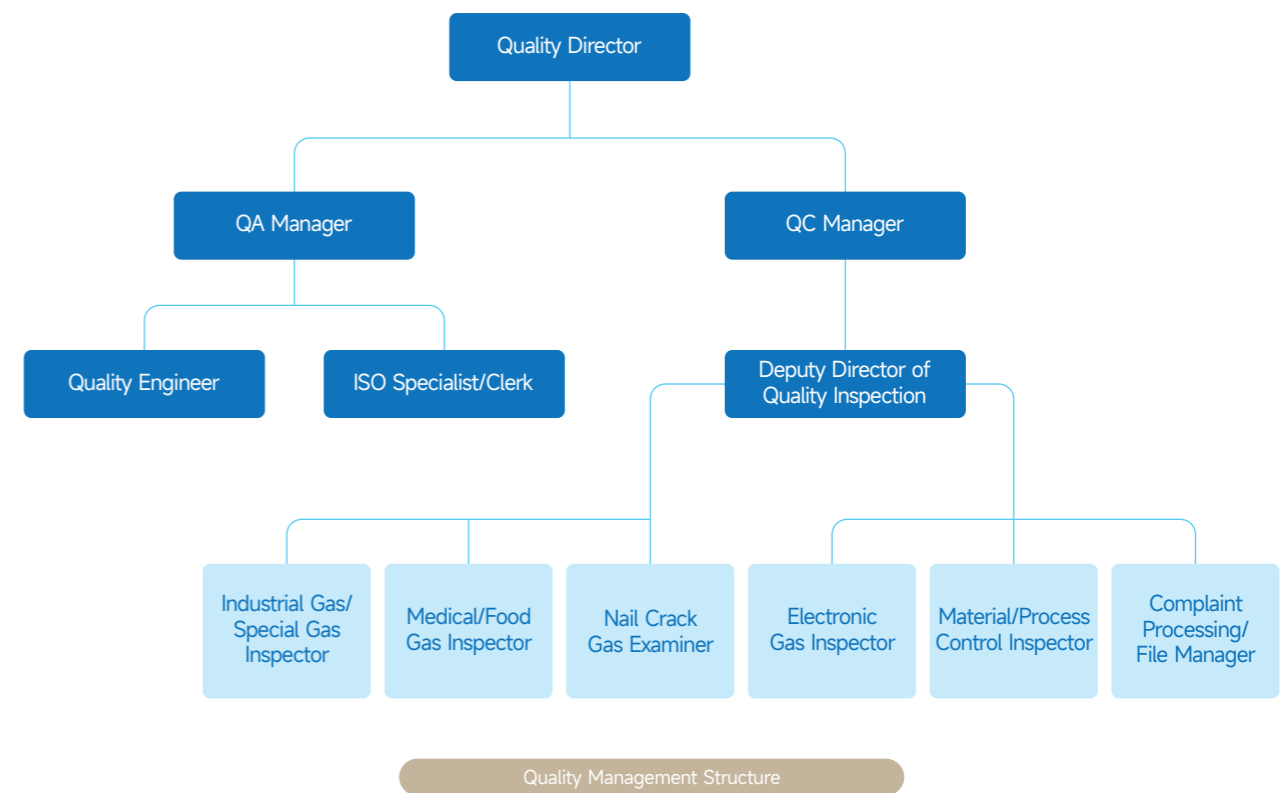
Intellectual Property Protection

We place a high value on safeguarding intellectual property rights. To enhance the management of intellectual property rights and safeguard the interests of the company and the affiliates, we have developed methods for managing intellectual property rights based on relevant laws and regulations. Additionally, we have established an Intellectual Property Office to collaborate with the administrative and R&D departments in this regard. We regularly provide training on intellectual property protection to raise awareness among all employees.

Product Responsibility

Quality Management System

We adhere to the quality policy that states 'quality is the foundation of enterprise survival'. We have established a quality management system that covers the entire life cycle of our products. Our focus is on applying advanced management tools and concepts to enhance our quality management practices. The implementation of the SPC 6σ management system ensures product stability and compliance with semiconductor industry quality control standards for raw materials. Additionally, the SQC management method guarantees quantitative and scientific quality control, resulting in efficient and consistent product quality improvement.



Our quality management system and food safety management system are certified for compliance with the requirements of ISO9001 and ISO22000. We advocate for the implementation of total quality management. The general manager should lead the quality control to create a new quality management model.



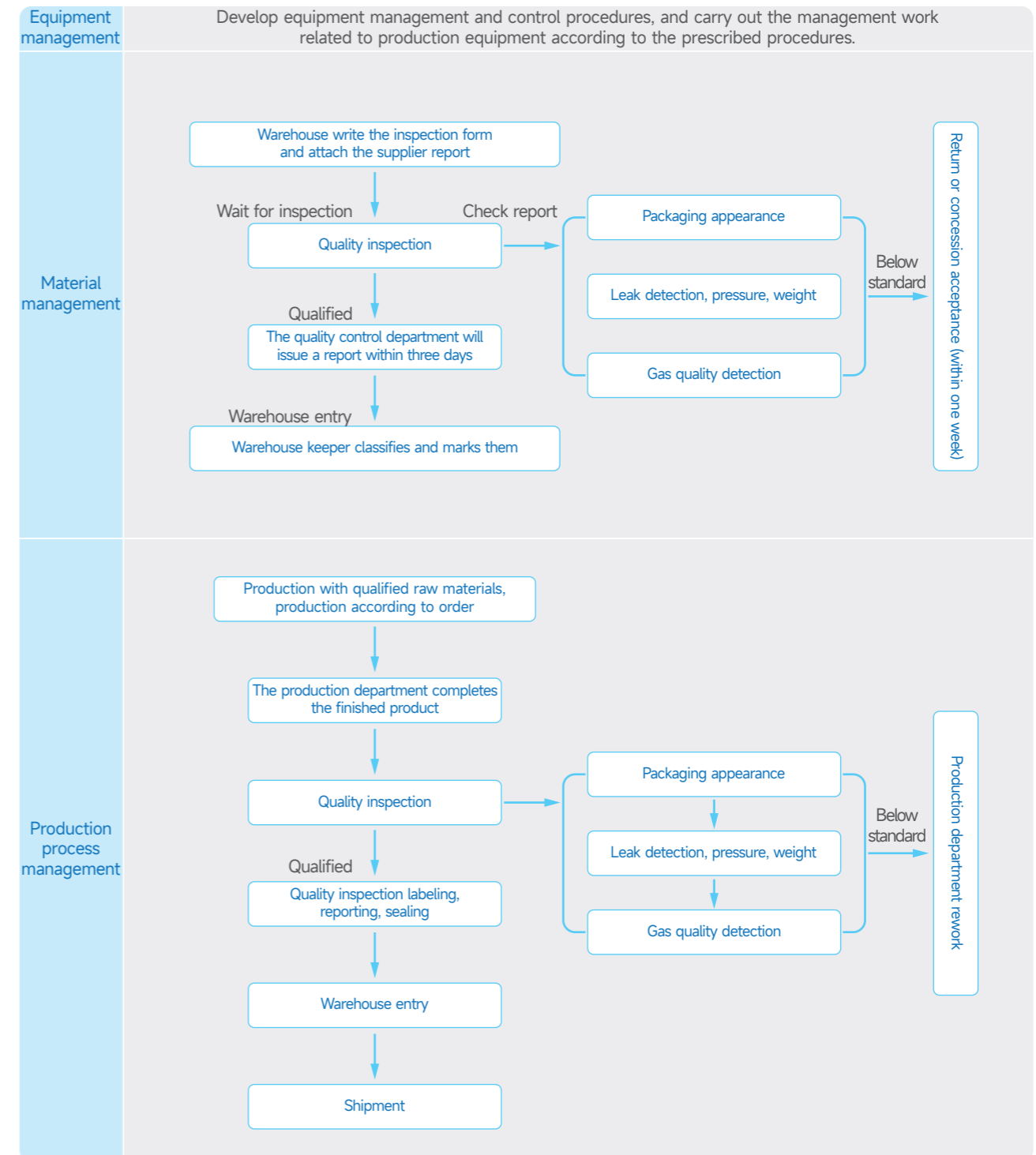
### Quality Risk Management

We place significant emphasis on managing product quality risks and have established Control Procedures for Identification and Response to Risks and Opportunities. These procedures involve regular surveys of stakeholder needs and expectations, risk identification and assessment, and updates to responses for risks and opportunities.



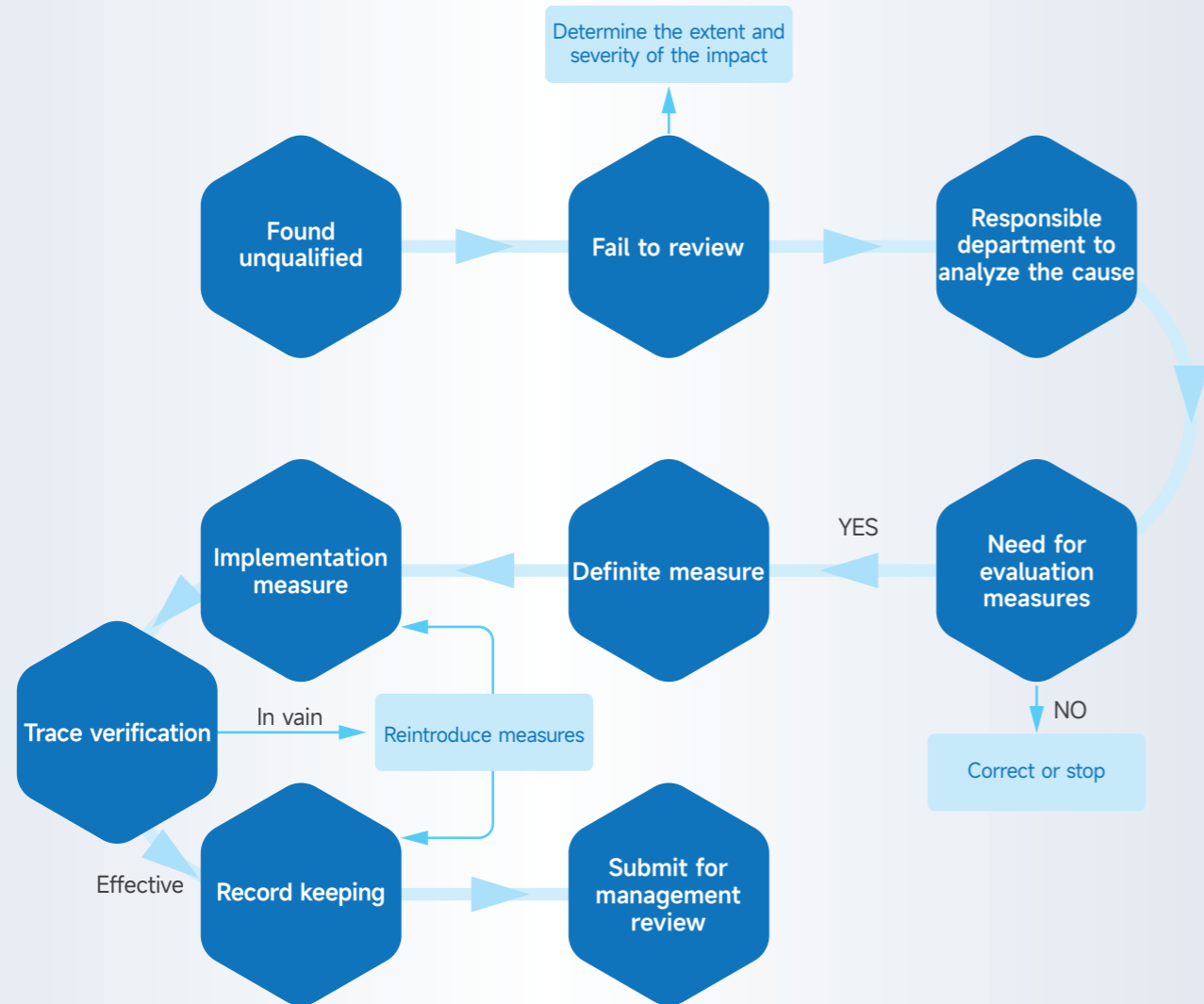
### Quality Assurance

Huate Gas implements full-process management for incoming materials, production processes, and after-sales quality supervision.



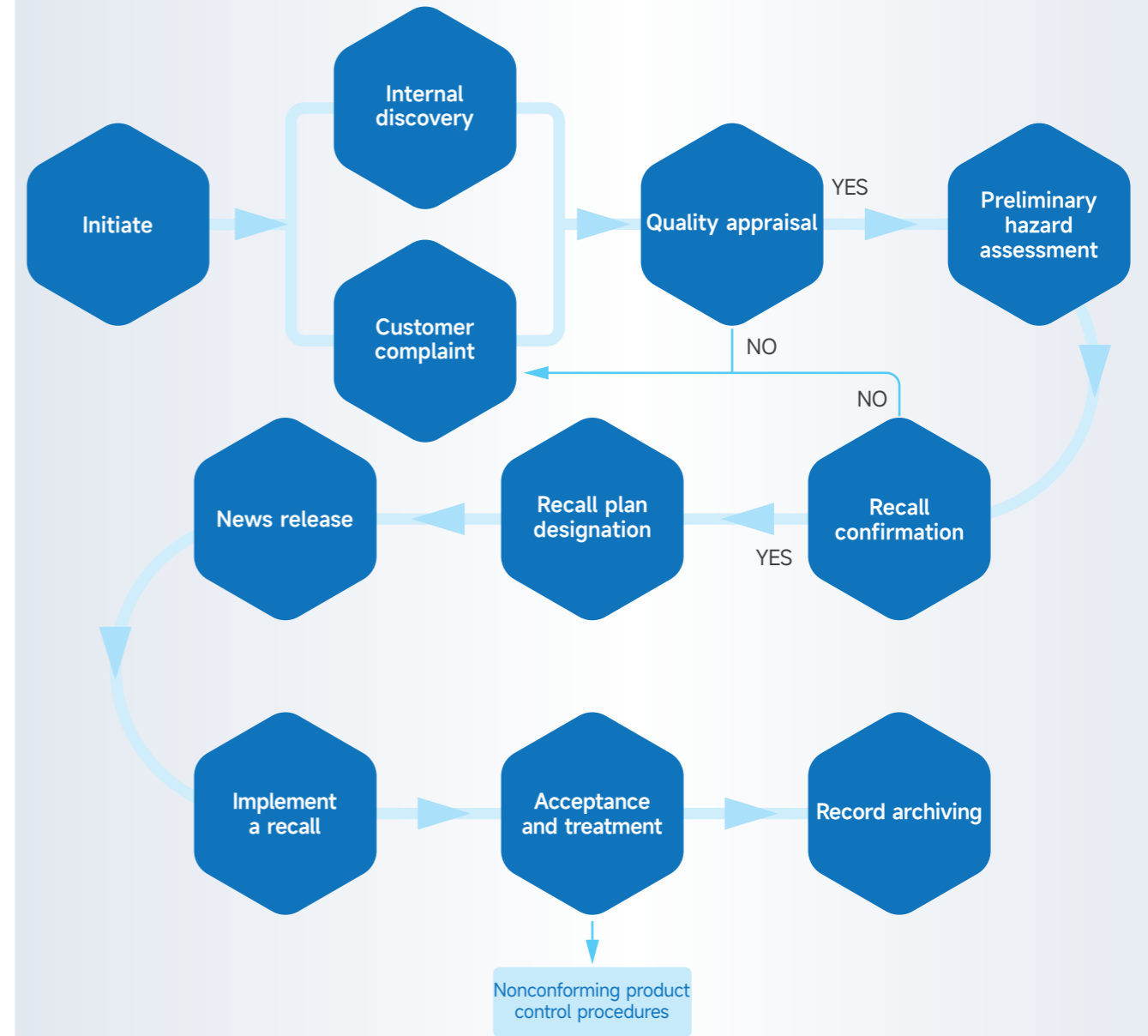
### Non-Conformity Management

To prevent non-conformity and potential issues in our product quality management and social responsibility operations, Huate Gas has developed the *Corrective and Preventive Measures Control Procedure* in compliance with relevant laws and regulations. This will effectively prevent similar problems from recurring and ensure the continued efficient and effective operation of our management system.



Huate Gas correction and prevention process

Huate Gas has established a comprehensive product recall mechanism for unqualified products with potential and significant quality hazards. Upon discovery of any issues, production and sales will be halted immediately, and a recall will be initiated. The defects will be assessed, and remedial measures will be taken.



Huate Gas product recall process

### Product Quality Training

We are committed to enhancing staff awareness of quality risk responsibility and improving the enterprise's level of quality management. This will enable us to achieve high-quality development in the competitive market. As per the quality management system, we regularly provide training to our staff on quality management topics, including regulations, policies, quality knowledge, and job skills. This training is designed while considering the annual quality management objectives, business development needs, and job competence requirements.



ISO three system internal auditor training

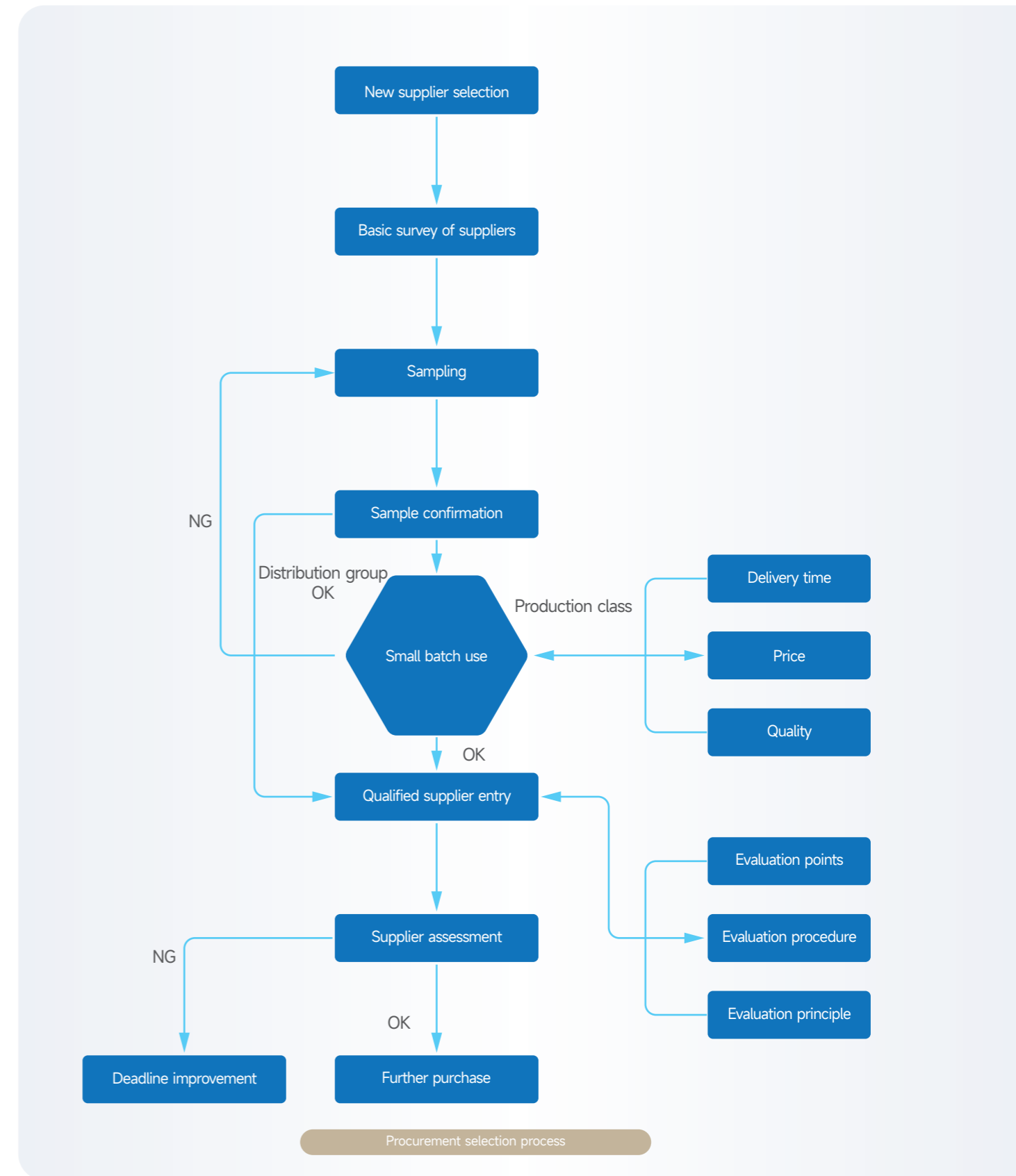
### The Huate Gas Supply Chain

#### Life Cycle Management

Huate Gas adheres strictly to relevant laws and regulations. It has formulated *Procurement Control Procedures* that take into account our own actual situation. We have established a multi-dimensional and multi-departmental participation assessment system that effectively ensures the continuous iterative optimization of suppliers' resources. This guarantees the supply chain's sustainable performance and establishes a supply chain environment with fair competition, integrity, transparency, and strong traceability.

#### Who We Chose

Before commencing the procurement process, we will conduct initial audits of suppliers to assess their qualifications, legitimacy, performance capability, and reputation in accordance with the *Procurement Control Procedures*. In addition to assessing basic qualifications, we will also evaluate suppliers' performance in areas such as quality management systems, EHS management systems, social responsibility, and environmental protection.



### Holding the Highest Standards

Huate Gas categorises suppliers into four groups based on the materials and services they provide. Different selection criteria are applied to each type of supplier.

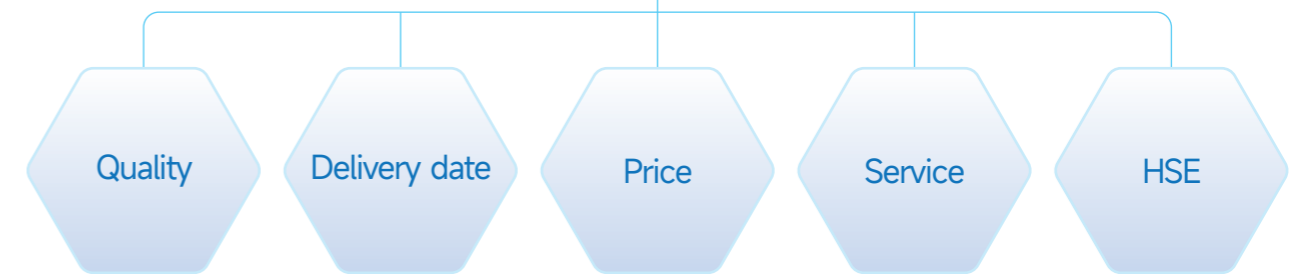
Group	Material	Selection Method
A	Production of raw materials, packaging, valves, distribution of products	<ul style="list-style-type: none"> <li>Issue the 'New Supplier Investigation and Evaluation Form' and 'Supplier Environmental Status Questionnaire' to new suppliers. Require suppliers to strictly adhere to the form's requirements and provide the necessary qualification documents.</li> <li>Purchasing staff should verify the information provided on the 'New Supplier Survey and Evaluation Form' and complete the 'New Supplier Initial Evaluation and Assessment Form'. Submit the form to the relevant departments for approval.</li> <li>After approval, the QC department will organise a written or on-site audit for the supplier.</li> <li>The Purchasing Department obtains samples from the suppliers and sends them to the relevant departments for testing and trial production. The results are then fed back to the Quality Control Department, Quality Control Office, Purchasing Department and R&amp;D Centre.</li> </ul>
B	Equipment, accessories, reagents	<ul style="list-style-type: none"> <li>The purchasing clerk assesses suppliers' business qualifications;</li> <li>The using department verifies that the required materials meet their needs.</li> </ul>
C	Logistics outsourcing, testing, certification, metrology, calibration and other services	<ul style="list-style-type: none"> <li>Selection of logistics providers: review their business qualifications, including their business licence and road transport permit for hazardous chemicals.</li> <li>Selection of measurement and testing service providers: review their business qualifications, including their business licence, measurement and testing capacity recognition, and system certification.</li> </ul>
D	Auxiliary materials, office labour insurance products, hardware accessories	<ul style="list-style-type: none"> <li>Buyers do not need to qualify suppliers and can purchase directly from online shops.</li> </ul>

### Supplier Engagement and Accountability

Huate Gas conducts annual performance evaluation of existing qualified suppliers at the beginning of each year, and adopts the form of *Annual Supplier Evaluation Form* for suppliers in category A and with more than 3 batches of supply volume in the previous year, and conducts comprehensive evaluation of their one-year supply performance together with relevant departments.

We comprehensively consider the annual performance evaluation and the annual system audit to assess the grades, and dynamically adjust *the List of Qualified Suppliers*. During the reporting period, we evaluated a total of 86 suppliers in category A, with an evaluation completion rate of 100 per cent.

### Supplier Annual Performance Appraisal Dimensions



### Procurement Ethics

In order to promote the construction of integrity in the supply chain, we have signed the *Letter of Agreement on Integrity* with our suppliers, requiring them to strictly comply with relevant national laws and regulations on integrity, as well as the relevant rules on integrity management formulated by Huate Gas.

During the reporting period, the signing rate of the Letter of Agreement on Integrity by all our suppliers reached 100%.

### Caring for Customers

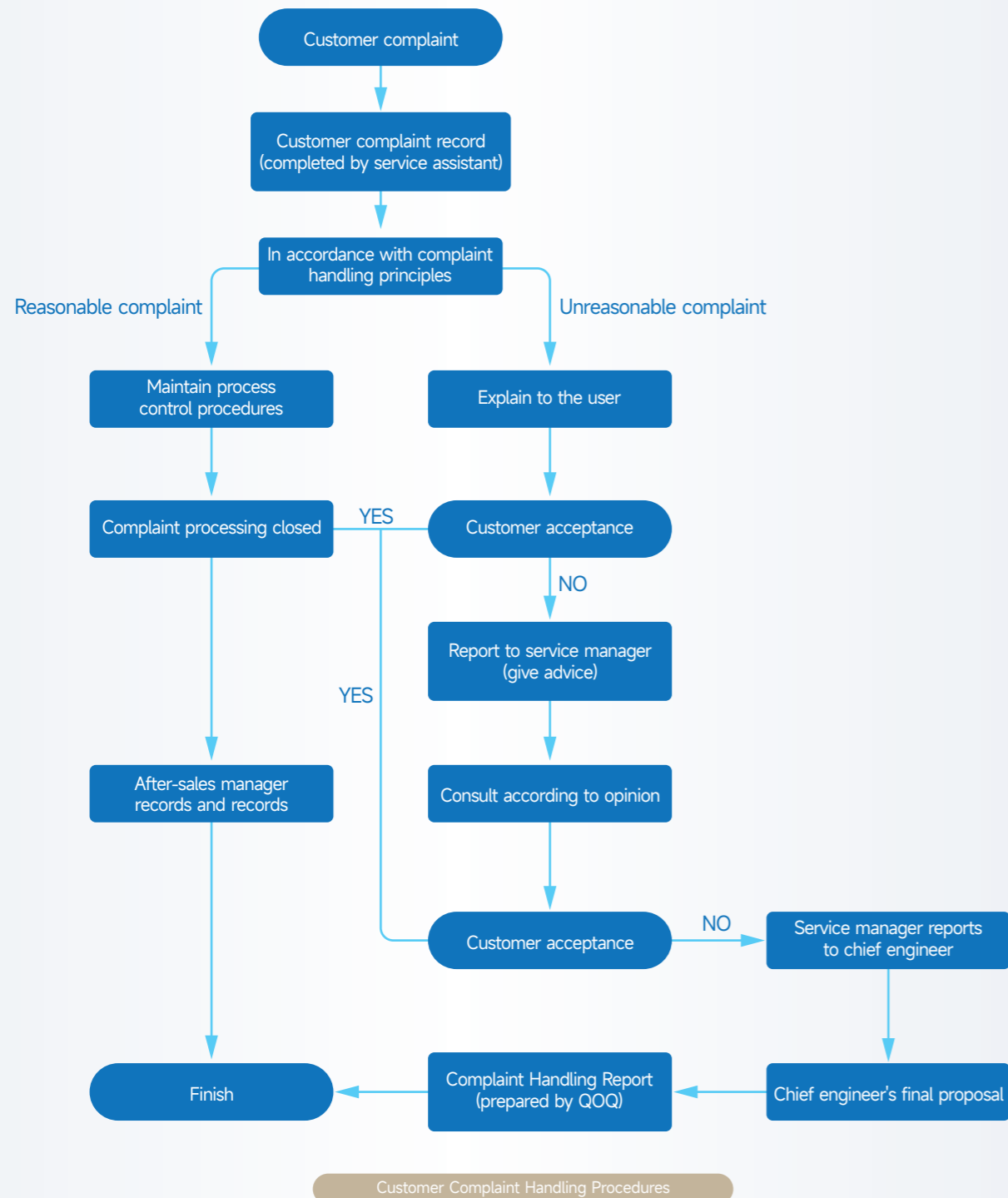
#### Service System

Huate Gas attaches importance to the construction of customer service management system, continue to implement the "customer-centric" service concept, the "customer-oriented" core values into practice, for which we have formulated the *Customer Service Control Procedures*, the establishment of a smooth customer communication channels, to ensure a clear understanding of customer requirements, to do a good job in the pre-sale, sales, after-sales service, improve customer satisfaction.

#### Customer Complaint Handling

Huate Gas adheres to the service concept of customer first, set up a special rights and interests of the service hotline to ensure that customer feedback on product quality and applications for return of products will be promptly responded to and dealt with, after the implementation of processing procedures, 100% of customer complaints should be responded to and the results of processing the archives, and gradually to achieve customer complaints to zero.

At the end of each month, all quality feedback is categorised and summarised according to production plants, product categories and causes of defects, and summary information is produced which is passed on to the production plants as a data reference for continuous improvement of quality work.



To improve the efficiency of handling customer complaints, Huate Gas has implemented a digital complaint handling system and formulated customer service control procedures to monitor and handle product quality complaints.



### Customer Satisfaction Monitoring

In order to fully understand the needs of customers, we regularly conduct customer satisfaction surveys every year to understand the product through multiple dimensions and improve the quality management system based on the results of the survey. For customer dissatisfaction or survey form scored less than 80 points of the project or the overall assessment of dissatisfaction in accordance with the relevant procedures to issue a report, and instruct the relevant departments to respond and improve.

During the Reporting Period		
97.12% Customer satisfaction index	10 Customer complaints	100% Response rate

### Privacy Protection

Huate Gas is committed to complying with relevant laws and regulations and to strictly protecting customer privacy. All customer information is treated confidentially and we guarantee that all channels of information collection are legal and appropriate.

During the year there were no incidents of breaches of customer privacy or disclosure of customer information by Huate Gas.



# 04

## Our People

### Rights and Benefits

#### Compliance Employment

Employees are the most invaluable assets of us. We consistently adhere to a people-centered management philosophy and strictly comply with pertinent laws and regulations. We have formulated a comprehensive *Employee Manual* that covers areas such as recruitment and employment, as well as wages and benefits, to ensure that every applicant receives equal employment opportunities throughout the recruitment process. Additionally, we are committed to safeguarding the legitimate and reasonable rights and interests of our employees.

In the *Employee Handbook*, we define a diversified recruitment channel to ensure the wide dissemination of recruitment information. Recruitment channels are divided into online recruitment, on-site recruitment and our official website, etc., providing employees with a variety of choices to facilitate understanding and applying for positions.

During the reporting period, we offered employment to 153 job seekers.



Campus job fair



A pro bono job fair

#### Key performance

**1,186** Headcount as of December 31,2023, **35.08%** of employees are women;  
**97.39%** Labour contract coverage, **95.62%** Coverage of five insurance policies.

Overall		1,186
Gender	male	770
	female	416
Age	up to 30 y.o.	253
	30 to 50 y.o.	777
	over 50 y.o.	156
Position	production	336
	sales	119
	finance	45
	administrative	78
	Technology	166
	Transport	319
	Others	123
Ethnic Minority		29
Disabled		8

Headcount as of the end of the reporting period, people

To safeguard the physical and mental well-being of minors, uphold the compulsory education system, and protect their legitimate rights and interests, we have established rigorous *Prohibition of Child Labor and Control Procedures for Underage Workers*. We strictly scrutinize the identity information of candidates during the recruitment process to eliminate any instances of child labor. If a minor is discovered working, their employment will be promptly terminated, and a comprehensive health assessment will be conducted by a professional medical institution to ensure that no harm to their health has occurred. Additionally, we will ensure that the minor is safely escorted back to their guardian.

## Inclusion and Diversity

### Harassment and Discrimination

Huate Gas has established the *Anti-Discrimination Control Procedure* to ensure a positive and welcoming working environment for all employees. We encourage employees to show mutual respect, provide support to one another, and grow and progress together. All employees have the right to work in an atmosphere free from harassment, and Huate Gas strictly prohibits any conduct that creates a coercive, hostile, or uncomfortable work environment. This includes, but is not limited to, disparaging or inappropriate remarks, actions, gestures, jokes, or epithets, as well as the public display of slanderous, obscene, derogatory, or offensive signs, posters, cartoons, photographs, or images. We also condemn any form of unlawful sexual harassment.

### Women's Empowerment

We place utmost priority on safeguarding the rights and interests of women, and are deeply committed to enhancing the welfare of female employees in the workplace. Female employees are entitled to paid maternity leave, breastfeeding leave, and various other benefits as stipulated by national regulations. Furthermore, in accordance with relevant national laws, we provide appropriate "four stages" protection to female employees, ensuring that pregnant and breastfeeding women are not assigned to perform tasks that may harm their health or the fetus.

The trade union of us has established a dedicated committee for female workers, aimed at guiding them in actively participating in enterprise construction. This committee carries out education on "self-esteem, self-confidence, self-reliance, and self-improvement" to enhance the overall quality of female workers. It also demonstrates care for the daily lives of female employees and ensures the protection of their unique rights and interests.



38 Women's Day Activities

### During the reporting period

The number of employees currently benefiting from maternity leave stands at **6**, with a maternity leave return rate of **83.33%**;

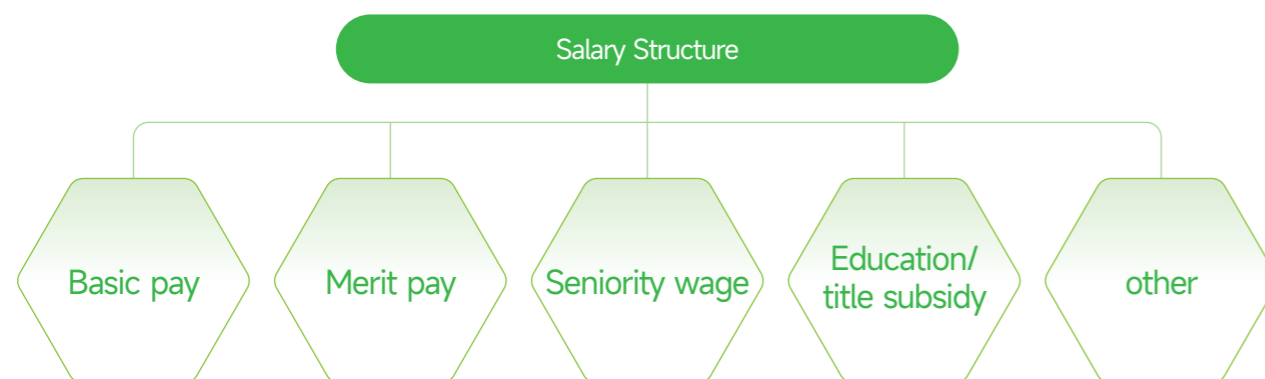
The number of employees enjoying paternity leave is **2**, and the return rate of paternity leave is **100%**;

## Compensation

### Structure

In order to standardize salary management, ensure effective salary incentives and fairness, and foster a positive team atmosphere, we have crafted the *Salary Management Regulations* tailored to our unique circumstances. These regulations provide clear direction for our salary administration, fully leveraging the incentive power of salary distribution, and ultimately enhancing our core competitiveness.

Adhering strictly to the principles of fairness, competitiveness, incentive, and legitimacy, we establish and adjust salaries for each position. It ensures a scientific and rational compensation system by reasonably setting salary levels for diverse roles, taking into account factors such as job responsibilities, skill requirements, and the complexity of work.



### Financial Incentives for Employees

To enhance our appeal to exceptional talents and spark their endogenous motivation and potential, we have crafted and implemented an equity incentive plan. During the reporting period, we thoroughly reviewed and approved two crucial proposals: *the Proposal on the First Grant of Restricted Stock to the Target of the 2023 Restricted Stock Incentive Plan*, and *the 2023 Restricted Stock Incentive Plan of Guangdong Huate Gas Co., LTD. (Revised Draft)*. It has been decided that March 20, 2023, will mark the initial grant date for our 2023 restricted stock incentive plan. A total of 329,200 restricted shares will be awarded to 25 eligible incentive subjects at a grant price of 41.36 yuan per share.

### Time Away

To standardize attendance management, enforce strict work discipline, and effectively promote employee professionalism, the *Working Time Management Procedure* has been established. This procedure stipulates that all employees are entitled to at least one day of rest every seven days, and the overall weekly working time shall not exceed 60 hours. We adopt a combination of mobile phone attendance and manual attendance to ensure accurate tracking. In cases where overtime work is necessary, employees will be compensated in accordance with the overtime management regulations, subject to the approval of the leadership.

### Life and Family

To ensure the provision of fundamental employee benefits and foster a stronger sense of belonging to the enterprise, we adhere strictly to national laws and regulations. *The Employee Manual* comprehensively details the various benefits offered, and we are committed to delivering diverse welfare security measures that enhance the quality of life for our employees.

### Huate Gas Welfare System

Statutory welfare	National statutory holidays, five insurance and one fund.
Leave benefits	Weekends and weekends, sick leave, work injury leave, marriage leave, funeral leave, maternity leave, paternity leave, personal leave, etc.
Other benefits	Apartment-type dormitory, high-quality meals, shuttle bus, annual travel and physical examination, holiday benefits, housing provident fund, student fund, telephone subsidy, private car allowance, cultural activities, help to solve staff difficulties, staff self-improvement rewards.



Huate employees parent-child fun games



Staff canteen



Staff rest area

### During the reporting period

Total CNY **27.676** MILLION employee welfare investment:

CNY **15.389** MILLION statutory welfare expenses, CNY **12.3674** MILLION non-statutory welfare allocations.

## Human Rights

### Labor Union

To better safeguard the legitimate rights and interests of employees, stimulate their enthusiasm for work, and foster the growth of the enterprise, we have established a trade union organization in accordance with *the Trade Union Law* and *the Constitution of the Chinese Trade Union*. Regularly convening the workers' congress, we uphold employees' rights to information and participation, and actively listen to their opinions and suggestions.

Four functions of Huate Gas union	
Maintenance	Represent and safeguard the legitimate rights and interests of employees
Construct	Participate in the democratic management of enterprises and exercise democratic supervision
Participation	Guide employees to participate in enterprise construction and complete production and operation tasks
Education	Strengthen staff education and improve staff quality

### During the Reporting Period

30.02% union members are active employees.

### Diversified Communication Channels

To foster active communication and interaction with employees, we have implemented various initiatives, including the establishment of suggestion boxes and feedback forms, conducting employee respect surveys, organizing tea parties, theme salon activities, and employee symposium procedures. We encourage employees to voice their suggestions and opinions regarding our operations and business, aiming to continually enhance performance and improve work efficiency.

If employees believe they have been discriminated against, they have the option to report through our *Prevention of Disciplinary Control Procedures* and *Employee Advice and Complaint Management Procedures*. Once the Human Resources Department verifies the claim, the reporting employee will be rewarded, and their information will be kept confidential whenever necessary.



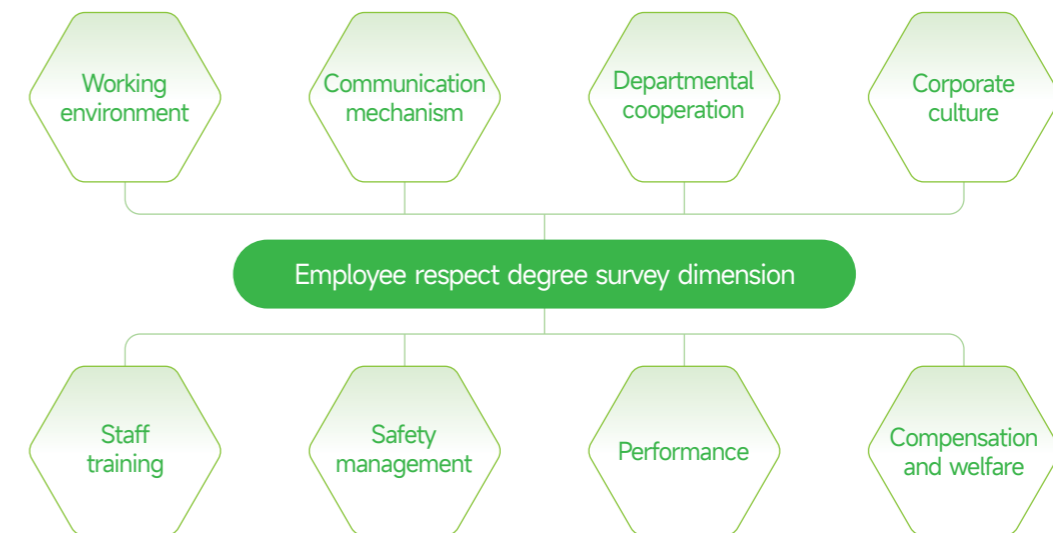
Staff seminar



### Employee Respect Degree

Huate Gas carries out an annual employee respect survey encompassing all personnel, with the goal of attentively listening to the voices of our employees, addressing their demands and expectations through tangible actions, enhancing the overall employee experience, and ultimately fostering positive business outcomes.

During the reporting period, the employee satisfaction score was 3.3 out of 5.



### Personnel Training

#### Training Platform

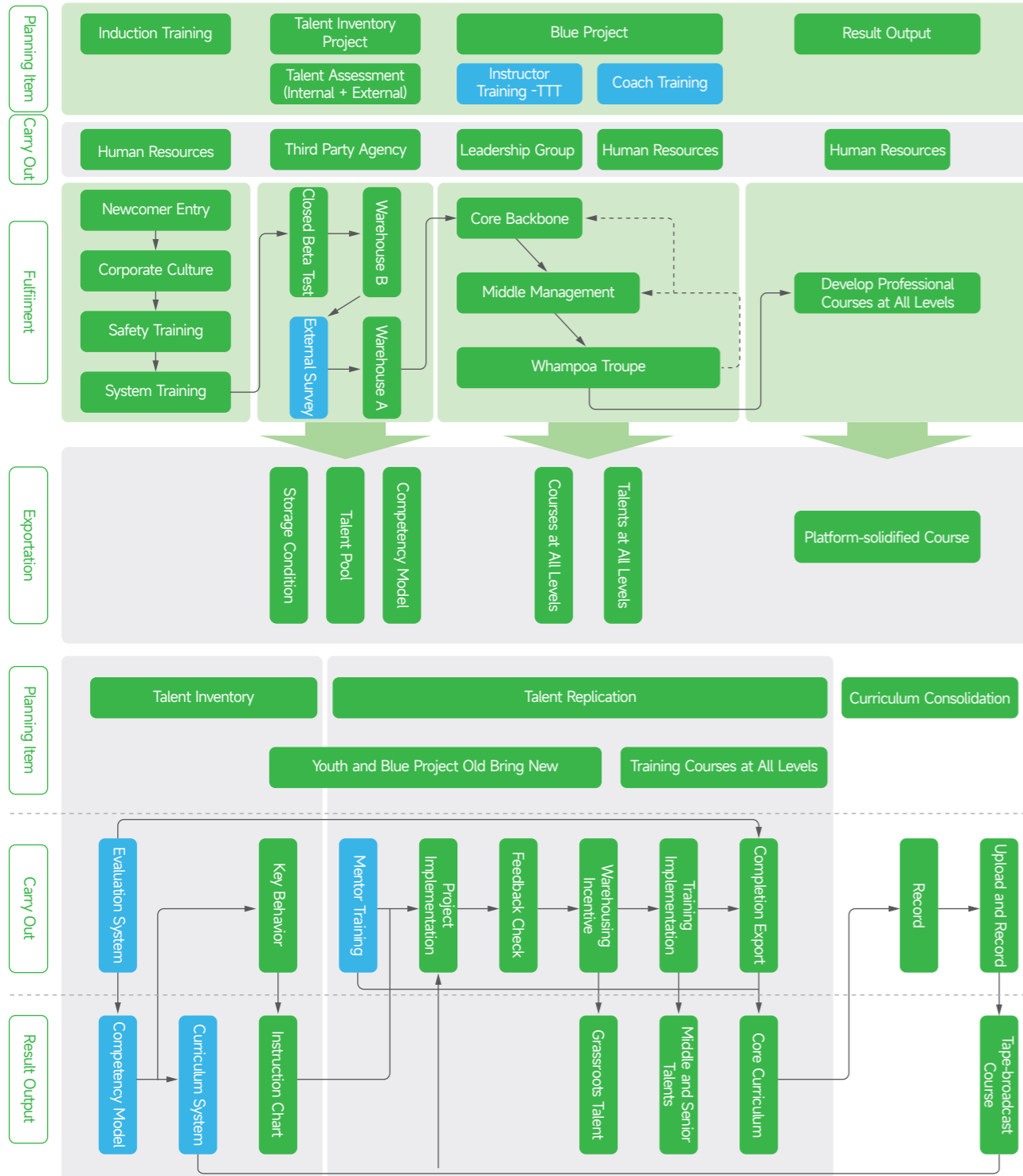
Recognising that employees are the driving force behind the sustainable development of our enterprise, we actively create a clear and flexible growth path for our personnel. We strive to unlock their potential and provide ample development opportunities. We are committed to their career planning and personal development, encouraging continuous learning and improvement.

To support the personal development of our employees, we have established *the Human Resource Control Procedures* and implemented the Huate Training System Plan. These initiatives are designed to ensure that employees receive the required training and support to achieve their career goals.

### During the Reporting Period

Total CNY **530,000** in training investment, **8,322** employees of Huate Gas participated in the training in calendar year 2023;

**127,923** training hours in Huate Gas in FY2023, **538** hours of training per person.



Huatae training system planning

To guarantee the professionalism and efficiency of the trainer team, we have meticulously crafted the *Trainer Management System* and *Training Evaluation Management System*. These systems outline the selection, training, utilization, performance, and evaluation processes for trainers, ensuring they possess the necessary skills and awareness to fulfill their roles effectively. During the reporting period, we successfully certified a total of 16 internal instructors.

### Hierarchical Training

To enhance the professional capabilities of our employees, we conduct comprehensive and systematic professional training tailored to the specific characteristics and job responsibilities of each business department. We carefully design professional knowledge training plans and skills training programs aimed at fostering the holistic development of our workforce.

Training Program	Training Object	Training Content
New employee training	New employee	Provide employees with safety knowledge, company regulations, and business skills required for the position. The training time is two days after the entry.
Executive strategy training	Senior executives and general managers of each subsidiary	Provide training on strategic planning and implementation for senior management.
New management trainee training	Management trainee	We offer training for management trainees encompassing a diverse range of topics, including R&D skills, production processes, product information and knowledge, packaging expertise, sales know-how, fundamental financial understanding, and career planning.
Workshop safety skills training	Workshop staff on duty	To enhance the proficiency of workshop personnel in utilizing safety facilities, strengthen emergency management, and improve their capacity in safety production management, the R&D center conducted a workshop safety skills training session.



Executive strategy training



21 new management trainee training



Workshop safety skills training



The first employee Skills competition of Huate Gas

## Education Promotion Training

With the aim of fulfilling our corporate mission of "providing the best platform for employee development" and upholding a people-oriented approach, we establish long-term and stable partnerships with reputable educational institutions. This collaboration serves as a reliable avenue for employees to enhance their academic qualifications, constantly motivating them to maintain a positive mindset, pursue continuous learning, and elevate their professional standards. Additionally, we encourage employees to participate in professional title assessments and offer commensurate rewards to recognize their achievements.

## Career Development

### Promotion Management

Huate Gas places significant emphasis on employee self-development and currently intends to introduce classified management tailored to the nature of work across various positions. This approach aims to empower employees to select their own career development paths, both horizontally and vertically, while assisting them in enhancing their professional capabilities and competitiveness.

## Internal Post Transfer Mechanism

We utilize internal transfers as a means for horizontal talent transmission, promptly filling vacant positions within the organization, thereby enriching the talent pool and maintaining a healthy flow of talent. Furthermore, we encourage employees to pursue horizontal development across various positions based on their individual aspirations, fostering internal talent mobility and enabling employees to achieve autonomous growth and progress.

## Health and Safety at Huate Gas

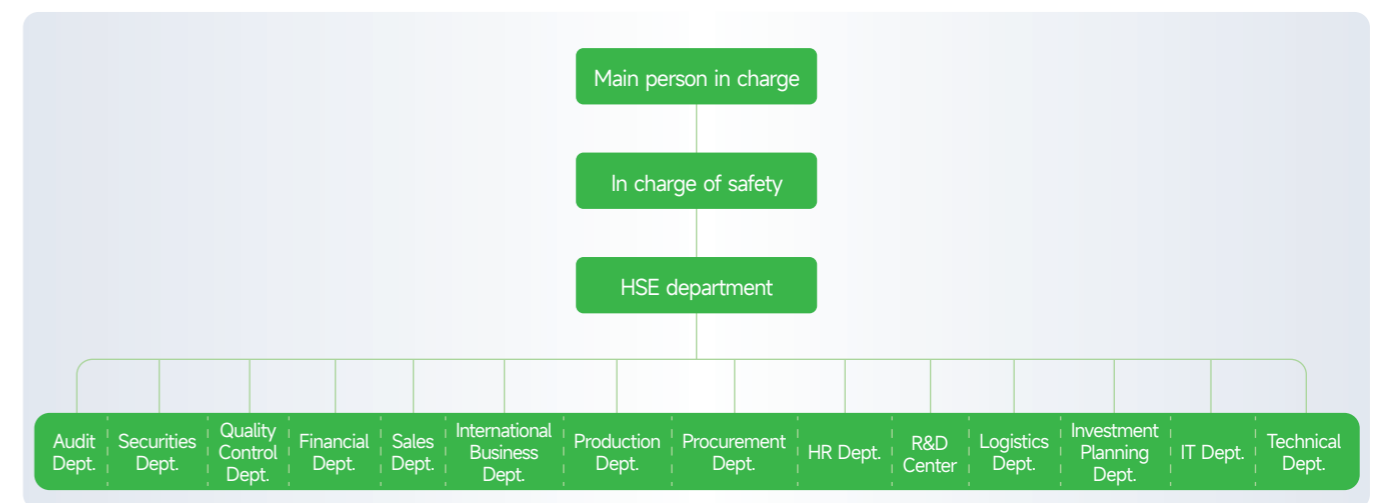
### Protecting Our People

Huate Gas upholds the occupational health and safety policy of being "people-oriented, prioritizing employee well-being; committed to safe production and environmental protection through systematic and scientific management; adhering to legal compliance and continuous improvement, striving for industry-leading standards." We consistently prioritize the health and safety of our employees, continuously enhancing our occupational health and safety systems, identifying and mitigating workplace hazards, and making every effort to fortify a robust defense line for employee health and safety.

To ensure the effective implementation of safety measures, we have established internal rules and regulations, including *the Compilation of Occupational Health Management Systems*, and strictly adheres to these systems in the operations and management. Furthermore, we have established an HSE organizational structure to effectively prevent, control, and eliminate occupational hazards, thereby further preventing the occurrence of occupational diseases and safeguarding the health rights and interests of our employees. During the reporting period, we successfully obtained ISO45001 Occupational Health and Safety Management System certification, actively fostering a safe and harmonious working environment, and demonstrating a commitment to employee well-being.



GB/T 45001-2020/ISO 45001:2018  
Occupational health and safety management system certification



HSE Management Organizational Structure Diagram

2023 Occupational Health and Safety goals	Achievements in 2023
<ul style="list-style-type: none"> <li>No food poisoning incidents;</li> <li>No occupational diseases among employees;</li> <li>No major driving accident;</li> <li>No significant death rate due to work-related injury;</li> <li>Minor injuries of employees (within 3000 yuan/piece) control ≤ 5 pieces/year.</li> </ul>	 <p>All achieved</p>
Occupational Health and Safety Goals for 2024	
<ul style="list-style-type: none"> <li>No general accidents and above security incidents;</li> <li>No workplace accidents with serious injuries or more occurred;</li> <li>No fire accidents;</li> <li>No food poisoning incidents;</li> <li>Zero incidence of occupational diseases;</li> <li>Safety equipment and facilities integrity rate of 100%</li> </ul>	<ul style="list-style-type: none"> <li>Major industrial accidents ≤3 cases/year;</li> <li>There were zero major security risks in the on-site review of government departments;</li> <li>Safety education and training pass rate 100%;</li> <li>Safety hazard rectification rate is 100%;</li> <li>Special operations and special equipment operators have a certified work rate of 100%.</li> </ul>

### Security Risk Management

To standardize the processes of hazard identification, risk assessment, and risk control, we have developed a comprehensive *Security Risk Classification Management* and Control System. This system ensures that all types of risks are effectively contained, thereby enhancing our safety management standards and safeguarding the personal and property safety of our employees. Additionally, we have established a dedicated security risk management and control group to facilitate the seamless implementation of "full staff, whole process, all-round, all-weather" risk management and control practices.



### Hidden Danger Investigation

We have established and continuously refined a comprehensive safety production responsibility system for all employees, explicitly outlining the responsibilities and requirements of personnel at every level in safety production. This system serves to enhance the safety awareness and accountability of employees, thereby ensuring the effective implementation of safety measures.

To further safeguard our production safety, the organization has developed a comprehensive *Hidden Hazard Investigation and Management System*. This system mandates regular inspections of potential hazards within the plant premises, ensuring prompt rectification and notification. It also entails documenting, evaluating, classifying, grading, and analyzing the causes of these hidden hazards, followed by the implementation of countermeasures and treatment plans to guarantee their timely elimination. Additionally, to standardize employee behavior, we have established a set of regulations governing employee rewards and punishments, aimed at actively mobilizing the enthusiasm of employees, eradicating safety hazards, preventing major safety accidents, and ultimately enhancing work efficiency and business performance.



Hidden danger investigation and management on-site inspection photos

## Emergency Preparedness and Response

We firmly adhere to the principles of safety and prevention being paramount, prioritizing special investigations and comprehensive treatment. Guided by our century-old plan and quality-centered safety policy, we have formulated a comprehensive *Emergency Plan for Production Safety Accidents*. This plan includes contingency measures for accident rescue, the establishment of an accident emergency management system, and the definition of handling procedures for various accidents based on the identification of accident factors and risk levels both within and outside the plant. Additionally, we have established a dedicated Safety Management Office, which is responsible for overseeing production safety and emergency management matters. The head of this office serves as our directly responsible person for safety management, emergency management, and safety production. Our approach to safety management aims to achieve "five simultaneities": planning, layout, inspection, summary, and evaluation must all occur concurrently.

The emergency rescue team has organized and conducted numerous practical drills of emergency plans, ensuring that employees have a profound and comprehensive understanding of the measures to be taken in the event of production safety accidents. During the reporting period, we successfully conducted 40 emergency drills, further enhancing the team's readiness and response capabilities.



Vehicle injury accident emergency drill



Food poisoning emergency drill program training



Hydrogen tube bundle filling leakage, fire emergency drill



Equipment line overload fire emergency response drill

## Safety Management Measure

### Contractor Safety Management

In order to strengthen the safety management of contractors and prevent the occurrence of production safety accidents and environmental damage incidents, we have formulated the *Contractor Safety Management System* in accordance with *the Production Safety Law of the People's Republic of China, the Environmental Protection Law of the People's Republic of China, the Occupational Disease Prevention and Control Law of the People's Republic of China, etc.*, and in combination with the actual situation. Among them, it clearly stipulates the contractor's safety management responsibilities, HSE access, HSE protocol management, HSE education during construction, etc., so as to ensure the contractor's operation safety.

### Smarter Chemistry

In order to enhance the safety management of our hazardous chemicals and prevent potential safety accidents, we have developed a comprehensive hazardous chemicals safety management system, including chemical leakage emergency disposal cards and other pertinent documents tailored to our specific operational context. Additionally, we have clearly defined the responsibilities and authorities of each department to guarantee the secure storage, usage, and handling of hazardous chemicals, ultimately safeguarding the safety of our employees and the enterprise.

#### Prevention and Control of Hazardous Chemicals

##### Purchase, purchase management

Undertake a thorough review of our suppliers, ensuring that they furnish safety technical instructions and chemical safety labels. Concurrently, exercise rigorous control over the purchase and storage quantities to ensure compliance and safety.

##### Warehouse management

Before storage, check and register according to the purchase order.

##### Unload

When handling dangerous chemicals, it is imperative to wear protective equipment to ensure safe and light loading and unloading. During the unloading process, designated personnel should be assigned to oversee and monitor the operation, ensuring the smooth and safe execution.

##### Storage

Based on the type and characteristics of the chemical substances, appropriate ventilation, fire prevention, explosion-proof, and gas-resistant isolation safety facilities are established to ensure safety.

##### Use

Our process operation rules and safety operation regulations must be strictly adhered to when using, and it is mandatory to wear labor protection equipment and appliances for operation.



## Training

We place significant emphasis on safety awareness training for our employees in their daily work. We firmly believe that the safety and stability of the entire production process can only be guaranteed when every employee possesses a profound understanding of and adherence to the safety production system and operational procedures.

### Monthly Security Meeting in November

On November 9th, our Safety and Environment Department of convened a monthly safety meeting in the 403 training room. The primary focus of this meeting was safety training encompassing fundamental knowledge of occupational health, workplace hazard management, occupational health examination procedures, and the use of labor protection equipment. This training aimed to enhance employees' comprehension of occupational health and safety measures, thereby strengthening safety management within the workplace. Additionally, it holds immense significance in elevating the overall safety management standards of the company, mitigating the risk of occupational diseases, and safeguarding the lives and health of our esteemed employees.



## Digital Management Platform

Utilizing the intelligent safety management platform, we have implemented comprehensive real-time monitoring and multi-tiered warnings across the 376 combustible toxic monitoring points, 2 major hazard sources, and 376 real-time data monitoring interfaces. This not only enables synchronized large-screen functionality on the computer end but also thoughtfully incorporates mobile-side functionality. This approach offers us a comprehensive suite of intelligent data management and control capabilities, encompassing rapid perception, real-time monitoring, early warning, emergency response, and system evaluation. Additionally, it significantly reduces the risk of security accidents, safeguarding our intelligent operational safety.



## Occupational Health Security

We will conduct physical examinations before, during, and after work for employees in hazardous occupations to identify any risks of occupational diseases. It is also important to standardise the creation of individual occupational health monitoring files for each worker. In addition, we have established occupational health protection facilities in relevant workplaces and regularly perform on-site occupational health monitoring. Risk assessments are conducted and control measures are developed based on monitoring and assessment outcomes to ensure employee safety and well-being.

During the reporting period, all employees underwent medical examinations.

### Occupational Health Protection Measures

- By rationalizing the design process engineering and enhancing production equipment along with operational methods, we can effectively mitigate issues such as leakage. For instance, the employment of film presses with excellent sealing capabilities is a key measure to prevent leakage.
- Cryogenic pipelines, such as liquid nitrogen, liquid argon and liquid oxygen, adopt cold protection measures to prevent personnel from touching frostbite.
- The production and filling areas utilize various ventilation and cooling measures, including natural ventilation, mechanical ventilation, and the installation of air conditioning systems, to ensure optimal environmental conditions.
- Strengthen personal protection. Employees shall be equipped with safety helmets, labor protection shoes, overalls, protective glasses, protective masks, positive pressure breathing apparatus and other labor protection supplies, and wear them correctly according to requirements.
- Good staff health monitoring. Every year, the occupational-disease-inductive post shall have an occupational health inspection, and other posts shall have a health inspection.
- Make reasonable work rest time to ensure the combination of work and rest.
- Strengthen the training of employees' occupational health knowledge and enhance their awareness of occupational health protection and safety.



Entry safety instructions



Wear a helmet

### During the reporting period

CNY 1,061.24 Thousand total security investment.

# 05

## Communities

### Green Public Welfare

Huate Gas remains steadfast in the commitment to embodying the "Lei Feng Spirit" and elevating the image of a civilized city. During the reporting period, we successfully hosted the "Low-Carbon Environmental Protection - I Can Do It" initiative, encouraging our employees to actively participate in picking up pavement waste and properly classifying it. This endeavor not only fostered a sense of community responsibility among employees but also contributed significantly to the local green development efforts.



"Low-carbon Environmental Protection I can do" Activity

Concurrently, Huate Gas embodies the low-carbon philosophy through practical actions, steadfastly fulfilling the Green Mission. In March 2023, we organized a meaningful "March 12 Tree Planting Activity" for our employees and their families, thereby deeply ingraining the principles of green and low-carbon living into the hearts of our workforce.



3. 12 Tree Planting Activities

## Donation

Common prosperity has been the dream and pursuit of the Chinese nation for thousands of years. Huate Gas actively participates in social welfare undertakings, enthusiastically engages in social welfare activities, and actively contributes to the society in areas such as charitable donations, environmental protection, and care for students.

Natural disasters are indeed merciless, but humanity remains compassionate. In response to the devastating 6.2-magnitude earthquake that struck Jishishan County, Linxia, Gansu Province, Huate Gas promptly took action. Through the Red Cross Society of Foshan City, we actively donated funds to support relief efforts and post-disaster reconstruction in the affected areas. We understand that, in times of crisis, every small act of kindness can amass into a powerful force that brings hope and warmth to those in need. Huate Gas stands ready to stand shoulder to shoulder with the people of the disaster-stricken regions, joining forces to embrace a brighter future in the aftermath of this tragedy.

Education is instrumental in nurturing talent and driving social progress. In October 2023, Huate Gas demonstrated the commitment to this noble cause by donating scholarships to Chongwen School in Huangpi Town, Xingning City, through the Xingning Charity Association. This donation aims to further inspire the enthusiasm and positivity of teachers and students, injecting fresh momentum into the pursuit of high-quality education. Huate Gas has long been a staunch supporter of educational endeavors, dedicated to providing tangible support to teachers and students. By doing so, we jointly contribute to the flourishing and advancement of education.

Furthermore, Huate Gas remains actively engaged in numerous charitable endeavors. We have made generous donations to various organizations, including the Lecong Charity Association of Shunde District in Foshan City, the Nanhai Charity Association, and the China Soong Ching Ling Foundation. These donations reflect our profound concern and commitment to fulfilling our societal responsibilities.

Huate Gas firmly believes that the success is not only measured by the economic performance, but also by our ability to make meaningful contributions to society and improve the well-being of the people. We are committed to actively fulfilling our social responsibilities and will continue to make significant contributions to the development and promotion of charitable enterprises.



## Strategic Cooperation

On June 6, 2023, the first tank of liquid helium land transportation project of Huate Gas and the Russian Federation successfully ushered in the first tank of liquid helium, marking an important step in the development of Huate Gas in the helium business. The success of this land transportation project is not only a supplement to the strategic resources for the development of Huate Gas, but also an affirmation of our long-term commitment to high-quality gas products and services.



The first tank of liquid helium was successfully transported by land between Huate Gas and Russian Federation

Liquid helium, a rare and crucial industrial gas, finds extensive application in various high-tech sectors, encompassing semiconductor production, medical diagnosis, and scientific research. The successful execution of the liquid helium land transportation project between us and the Russian Federation has not only fostered enhanced cooperation and communication between China and Russia in the gas industry, but also spurred the flourishing development of the global gas market. Furthermore, it has facilitated optimal resource allocation, fostering a mutually beneficial and win-win scenario.

### In response to the special action initiative aimed at "Enhancing Quality, Boosting and Generating Returns,"

Huate Gas is committed to promoting listed companies to continuously improve their management and standardise their governance system. In order to deeply practice the special action initiative of "Improving Quality, Increasing Efficiency and Focusing on Returns" for companies listed on the Science and Technology Innovation Board, to actively give back to investors, to help restore market confidence, to maintain the stability of the capital market, and to promote the high-quality development of the economy, we have specially formulated the "Improvement of Quality, Increasing Efficiency and Strong Returns" special action programme of Huate Gas for the year of 2024."Special Action Programme.

"Improve quality, increase efficiency and return" Action Goal	Operation Huate
Focus on the main business, promote high-quality development	<p><b>Focus on market demand and our own technical advantages to formulate development objectives</b></p> <ul style="list-style-type: none"> <li>● Focusing on product development of electronic special gases with R&amp;D of special gases as the core, and continuously realising the localisation of more restricted varieties of electronic special gases.</li> <li>● Practising the product development mode of "one batch for mass production, one batch for R&amp;D and one batch for reserve".</li> </ul> <p><b>Multi-species development strategy for speciality gases</b></p> <ul style="list-style-type: none"> <li>● Enhance product reserves and increase investment in technological transformation and project construction.</li> <li>● Keeping up with the future development trend of the downstream field and customers' needs, we conduct R&amp;D on the application of advanced process technology around our advantageous products.</li> <li>● Based on electronic special gas and extended to other pan-semiconductor materials, with high-end products as the main direction of attack.</li> </ul>
Improve the material industry chain and enhance competitiveness	<p><b>Completion of the industry chain</b></p> <ul style="list-style-type: none"> <li>● Promote the upstream extension of the industrial chain to gradually realise the autonomy of more types of materials.</li> <li>● Extend large categories from small categories, and lay out the whole industry chain of fluorocarbon and silicone-based products.</li> </ul> <p><b>Developing a layout that capitalises on our strengths</b></p> <ul style="list-style-type: none"> <li>● Launching more applications of advanced process products through the regional advantages of overseas companies and the key technological advantages</li> </ul>
Leverage the strengths of R&D to develop new quality productivity	<p><b>Vigorous promotion of investment in science, technology and innovation</b></p> <ul style="list-style-type: none"> <li>● Launched a number of new products in the fluorocarbon series and achieved certification by well-known semiconductor customers.</li> <li>● Accumulated more than 55 types of products that have achieved import substitution.</li> </ul> <p><b>R&amp;D Management</b></p> <ul style="list-style-type: none"> <li>● We formulate <i>New Product Development System</i> and <i>Project R&amp;D Management System</i> to standardise the R&amp;D process.</li> </ul> <p><b>R&amp;D Incentives</b></p> <ul style="list-style-type: none"> <li>● We have formulated the <i>Regulations on Project (Patent) Declaration Rewards</i> to provide bonus incentives to relevant personnel.</li> </ul> <p><b>Strengthen the continuous investment and transformation of our independent intellectual property rights</b></p> <ul style="list-style-type: none"> <li>● Our self-developed industry chain product, germanium, has passed the certification of the 5nm process production line of the largest memory company in Korea and generated orders.</li> <li>● Our products have been supplied to 28nm, 14nm, 7nm and 5nm production lines in bulk.</li> <li>● Continuously expanding the scope of application of advanced process products.</li> </ul> <p><b>Hosting or participating in the formulation of industry standards</b></p> <ul style="list-style-type: none"> <li>● Presided over or participated in the formulation of 55 standards, including many national standards for electronic industrial gases, 6 industry standards, 1 international standard and 11 group standards.</li> </ul> <p><b>Introduction of R&amp;D talents</b></p> <ul style="list-style-type: none"> <li>● Maintain cooperation with universities and colleges to cultivate talents who are familiar with the core technology of electronic speciality gases.</li> <li>● Attaching importance to the introduction of high-precision technical talents and continuous investment in R&amp;D to maintain the advanced nature of products.</li> <li>● Attracting talents through multiple channels such as talent market, university double-selection meeting, internal staff recommendation, etc., and providing more flexible salary system and benefits for outstanding talents to improve the attractiveness.</li> </ul>

"Improve quality, increase efficiency and return" Action Goal	Operation Huate
Focus on shareholder returns and share the fruits of development	<p><b>Investor Returns</b></p> <ul style="list-style-type: none"> <li>● Developed the <i>Guangdong Huate Gas Co., Ltd Dividend Return Plan for Shareholders for the Next Three Years (2022-2024)</i>.</li> <li>● Implemented dividends every year since listing on 26 December 2019 to date, with cumulative cash dividends of approximately CNY 156 million.</li> </ul> <p><b>Share buyback</b></p> <ul style="list-style-type: none"> <li>● Issued a share buyback plan in May 2022 and October 2023 respectively, and the repurchased shares will all be used for employee share ownership plan or share incentives.</li> </ul>
Strengthen the cornerstones of governance and enhancing operations	<p><b>Governance Structure</b></p> <ul style="list-style-type: none"> <li>● Established a three-chamber governance structure comprising the general meeting of shareholders, the board of directors and the supervisory board, with clear responsibilities, mutual coordination and checks and balances.</li> </ul> <p><b>Risk Control</b></p> <ul style="list-style-type: none"> <li>● The Audit Committee is the highest responsible department for the Company's internal control, and the Audit Department has been established under it to check and supervise the establishment and implementation of the Company's internal control system.</li> <li>● We complete tax declaration and payment in a timely and accurate manner in accordance with tax management regulations to ensure that taxes are paid in full.</li> </ul> <p><b>Share Incentive</b></p> <ul style="list-style-type: none"> <li>● We implemented the Restricted Share Incentive Scheme in June 2021 and March 2023, with the first grant date being 20 March 2023.</li> </ul> <p><b>Implementation of "ESG" concepts</b></p> <ul style="list-style-type: none"> <li>● We will continue to disclose the <i>Environmental, Social and Governance (ESG) Report</i>.</li> <li>● We will fully integrate ESG concepts into the strategies and daily operations, with the Board of Directors overseeing ESG matters and being responsible for the effectiveness of management.</li> </ul> <p><b>Enhance communication with directors and supervisors</b></p> <ul style="list-style-type: none"> <li>● Maintaining close communication with the "key few" such as real controllers, controlling shareholders, shareholders holding more than 5% of shares, and directors and supervisors.</li> </ul> <p><b>"Training for "Key Minorities"</b></p> <ul style="list-style-type: none"> <li>● Enhance compliance training for directors, supervisors and senior management to ensure that directors, supervisors and senior management understand the latest laws and regulations.</li> <li>● Organising and inviting professionals on a regular or irregular basis to disseminate the latest laws and regulations and strengthen compliance awareness.</li> </ul>
Enhanced investment management oriented to investor needs	<p><b>Information Disclosure</b></p> <ul style="list-style-type: none"> <li>● Huate Gas standardises the information disclosure process, strengthens the quality of information disclosure, ensures true, accurate, complete and timely disclosure of information, and protects investors' right to know.</li> </ul> <p><b>Investor Communication</b></p> <ul style="list-style-type: none"> <li>● We have set up a securities department and actively organised performance briefing sessions through various channels, platforms and levels.</li> <li>● We have set up an "Investor Relations" section on the official website (www.huategas.com) to facilitate investors' access to relevant information.</li> <li>● We have actively responded to investors' questions through emails, teleconferences, on-site surveys and SSE e-interaction.</li> </ul>
Actively promote fundraising projects	<p><b>Project Construction</b></p> <ul style="list-style-type: none"> <li>● Accelerating the construction and transformation of convertible bond investment projects, releasing production capacity and output value, enriching product lines and enhancing the company's competitiveness.</li> </ul> <p><b>Funds Management</b></p> <ul style="list-style-type: none"> <li>● Continuously strengthen the management of fund-raising projects, prudently use the fund-raising funds, and effectively ensure the fund-raising projects to be smoothly promoted according to the plan.</li> </ul>

For more information, please refer to the *Announcement of Guangdong Huate Gas Co., Ltd. on the Action Programme of "Improving Quality, Increasing Efficiency and Focusing on Returns"*.

# 06

## Future Expectations

Amidst the ever-evolving global economy and the relentless advancement of science and technology, Huate Gas stands at the cusp of unparalleled opportunities and daunting challenges. In our future development, Huate Gas remains steadfast in the commitment to the innovation-driven, quality-focused philosophy. It will actively expand our market presence, bolster competitiveness, and strive for sustainable development.

In terms of corporate governance, Huate Gas remains committed to enhancing internal management and oversight mechanisms, thus ensuring transparency and compliance throughout the operations. Concurrently, we are dedicated to fulfilling the social responsibilities, fostering stronger communication and cooperation with regulators, investors, and the public, and ultimately bolstering our social credibility.

Huate Gas is firmly committed to minimizing environmental pollution and resource consumption in the production processes. Through the optimization of production workflows and the enhancement of energy efficiency, we aim to significantly reduce carbon emissions and waste generation, thereby achieving green production. Additionally, Huate Gas actively participates in environmental protection and public welfare activities, contributing to the promotion of environmental awareness within the society.

Huate Gas remains steadfast in the commitment to technological innovation. It will continue to invest heavily in research and development, strengthening the capacity for independent innovation. This focus on innovation will lead to further advancements in our technical systems, enhancing the quality and performance of our products, and accelerating the localization process of electronic special gases. Additionally, Huate Gas will foster stronger cooperation and exchanges with leading international enterprises, introducing cutting-edge technology and management expertise to bolster the core competitiveness. Moreover, we will enhance the exchanges and collaborations with international counterparts, drawing inspiration from global best practices, actively engaging in international market competition, and expanding the presence in overseas markets.

With regard to talent acquisition, Huate Gas remains committed to broadening the avenues for attracting, retaining, and nurturing top talent. We are dedicated to safeguarding the rights and welfare of our employees, ensuring a conducive work environment that fosters growth and development. By doing so, Huate Gas aims to build a robust talent pool that will power our sustainable development and propel it towards future success.

Huate Gas is steadfast in the pursuit of achieving more stable and sustainable development through comprehensive enhancements in environmental, social, and corporate governance. With a more open and inclusive mindset, Huate Gas remains committed to exploring and implementing innovative practices, collaborating closely with all stakeholders to jointly forge a brighter future.

## ESG Data Summary

	Indicators	Units	2023	2022	
Economic Performance	Total assets	CNY Billion	3,162	2,395	
	Net assets attributable to shareholders of a listed company	CNY Billion	1,825	1,542	
	Operation Revenue	CNY Billion	1.5	1.8	
	Net profit attributable to shareholders of listed companies	CNY Billion	0.171	0.129	
	Operating cash flow	CNY Billion	0.17	/	
	Total Taxes Paid	CNY Billion	0.093	0.085	
	Basic earnings per share	CNY/share	1.43	/	
	Weighted average return on equity	%	9.77	/	
	Governance Performance	Shareholders' meeting convened	Times	4	3
		Proposal deliberations at shareholders' meetin	Items	16	/
Board of Directors		Persons	7	7	
Independent director		Persons	3	3	
Female director		Persons	2	2	
Special committee meeting		Times	11	7	
Special committees examine bills		Items	23	/	
Supervisory board meeting		Times	14	8	
The Board of Supervisors considers the proposal		Items	47	/	
Internal control training		Times	20	20	
Environmental Management	Participate in internal control training	Person-time	15	15	
	Regular report disclosure	Pieces	4	/	
	Interim announcement disclosure	Pieces	153	/	
	Regularly report on performance presentations	Times	4	3	
	Investor group reception Day	Times	1	1	
	e Interactive reply	Times	49	28	
	Investment question response rate	%	100	100	
	Dividend payout per 10 shares (tax included)	CNY	5	3.99	
	Cash dividend amount (tax included)	CNY	59,941,393.50	47,893,302.82	
	The amount of cash dividends as a proportion of the total profit distribution	%	46.62	42.62	
Resource Management	Anti-corruption training	Times	25	2	
	Major breach of business integrity	Times	0	0	
	Information security training	Times	4	/	
	Information security related incidents	Times	0	0	
	Investment in Environmental Protection	Investment in Environmental Protection	CNY Ten thousand	94.46	52
		Synchronous operation rate of environmental protection facilities	%	100	100
		Construction project environmental protection "three simultaneous" implementation rate	%	100	100
		Gas, pressure vessel explosions and major leakage incidents	Times	0	0
		Annual fire accident	Times	0	0
		Hazardous chemicals/hazardous waste spills	Times	0	0
Other major environmental violations		Times	0	0	
Environmental risk emergency drill		Times	6	7	
Environmental training		Times	6	/	
Management of Three Wastes Discharge		Diesel consumption	Tons	2,762.40	747
	Liquefied petroleum gas consumption	Tons	111.58	/	
	Outsourced power	Kwh	10,129,154.65	4,269,144.09	
	Total water use	Tons	118,376	66,576	
	Discharge of wastewater	Tons	46,333	/	
	Amount of waste water recovery	Tons	9,159	/	
	Exhaust emission	Tons	1,702.1	/	
	General waste generation	Tons	82.26	/	
	General waste disposal volume	Tons	82.26	/	
	Amount of hazardous waste produced	Tons	35.56	/	
Greenhouse Gas Emission Management	Quantity of hazardous waste disposal	Tons	27.24	/	
	Three wastes discharge and disposal training	Times	6	/	
	Total greenhouse gas emissions	Tons	14,794.35	12,668.88	
	Direct greenhouse gas emissions (Scope 1)	tCO <sub>2</sub> e	9,017.69	/	
	Direct greenhouse gas emission intensity (Scope 1)	tCO <sub>2</sub> e/million CNY Revenue	6.01	/	
	Indirect greenhouse gas emissions (Scope 2)	tCO <sub>2</sub> e	5,776.66	/	
	Indirect greenhouse gas emission intensity (Scope 2)	tCO <sub>2</sub> e/million CNY Revenue	3.85	/	

	Indicators	Units	2023	2022
Industrial Performance	Technological Innovation & Intellectual Property Protection			
	Investment in R&D	CNY Ten thousand	5,042.88	6,011.84
	R&d incentive bonus	CNY	411,796	/
	Cumulative number of patents granted	/	213	172
	Trademark	/	51	45
	Responsible Supply Chain			
	Evaluate suppliers	/	86	/
	Supplier evaluation of completion rate	%	100	/
	Supplier integrity agreement signing rate	%	100	/
	Customer Service			
Employee Rights and Benefits	Number of customer complaints	Times	10	/
	Customer complaint resolution rate	%	100	/
	Customer satisfaction	%	97.12	/
	Violation of customer privacy and disclosure of customer information	Times	0	0
	New employee	Persons	153	116
	Total number of employees	Persons	1186	1156
	Coverage rate of labor contract	%	97.39	97.57
	Coverage of five social insurance and one financial fund	%	95.62	98.82
	Female employees	Persons	416	203
	Minority employees	Persons	29	20
Compensation and Benefits	Disabled employee	Persons	8	4
	Number of employees on maternity leave	Persons	6	/
	Maternity leave return rate	%	83.33	/
	Number of employees on paternity leave	Persons	2	/
	Paternity leave return rate	%	100	/
	Grants restricted stock to employees	Persons	25	/
	Granted restricted number of shares	Ten thousand shares	32.92	/
	Total welfare expenditure	CNY Ten thousand	2,767.63	/
	Statutory welfare expenditure	CNY Ten thousand	1,530.89	/
	Non-statutory welfare payments	CNY Ten thousand	1,236.74	/
Democratic Management	Active employees are union members	%	30.02	/
	Participate in employee respect survey	Persons	157	100
	Employee respect rating	-	3.3	1.76
	Investment in Employee Training	CNY Ten thousand	53	33.6
	Participate in staff training	Person-time	8,322	4,400
	Executive training	Person-time	20	/
	Total duration of employee training	Hour (s)	127,923	173,394
	Average length of training for employees	Hour (s)	538	24
	Employee training coverage	%	100	100
	Certified in-house instructor	Persons	16	/
Occupational Health and Safety	Total safety input	CNY Ten thousand	1,061.24	574.86
	Food poisoning incident	Times	0	0
	Occurrence of occupational disease	Times	0	0
	Major traffic accident	Times	0	0
	Death accident due to work injury liability	Times	0	0
	Work safety inspection	Times	41	12
	Safety hazard	Items	172	71
	Safety hazard rectification completion rate	%	100	100
	Production safety emergency drill	Times	40	/
	Safety awareness training	Times	107	281
Employee Physical Examination Coverage	Employee physical examination coverage	%	100	100
	Charitable donation	CNY Ten thousand	44.84	66.11
	Number of volunteers	Persons	180	/
	Number of public welfare project activities	Times	4	/
	Number of employees participating in public welfare volunteers	Person-time	480	/
	Number of public welfare recipients	Persons	3,000+	/

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Protection of rights and interests, solidarity	Employee rights and benefits	S1.1/S1.2/S1.3/S1.4/S1.6/S1.7/S1.8/S1.9/S1.10/S1.11	2-7/2-19/201-3/401-1/401-2/405-1/406-1/407-1/408-1/409-1
	Staff training and development	S2.1/S2.2/S2.3/S2.4	404-1/404-2/404-3
	Occupational health and safety	S3.1/S3.3/S3.3/S3.4/S3.5/S3.6/S3.7/S3.8/S3.10/S3.11	403-1/403-2/403-3/403-4/403-5/403-6/403-7/403-8/403-9/403-10
Public welfare is of the same mind, advancing together in harmony	Green public welfare	V4.4	203-1/413-1
	Charitable donation	V3.4	203-1
	Strategic cooperation	V2.8	/
Future Expectations		A1	/
Appendix & Disclosure	Performance table	A2	/
	Reporting Index	A4	/
	Feedback Form	A5	2-16

Feedback Form

Dear reader,

Greetings! Thank you so much for dedicating your precious time to review this report amidst your busy schedule. To ensure that you and other stakeholders receive even more valuable ESG insights, we kindly request your assistance in completing the feedback form and providing us with feedback in the areas mentioned below. Your inputs will greatly assist us in further enhancing our ESG management capabilities.

1. Which category of stakeholder do you belong to?

- Shareholders and Investors  Government and regulatory agency  Employee
- Customer and partner  Supplier  Community and public  Other

2. Your overall assessment of this year's ESG report?

- Excellent  Good  Fair  Poor  Bad

3. What do you think of this report?

Information disclosure:  Excellent  Good  Fair  Poor  Bad

Layout:  Excellent  Good  Fair  Poor  Bad

Readability:  Excellent  Good  Fair  Poor  Bad

4. Which issues are most concerns to you? (You can choose 3 options)

Governance Issues:

- ESG governance  Governance structure  Investor relations management
- Business Ethics  Compliance operation

Social Issues:

- Digital construction  Research and Development Innovation
- Industry development and win-win  Privacy and data security
- Product and service quality  Customer service  Supply chain management  Diversity and equality
- Talent introduction and retention  Employee rights and benefits  Staff training and development
- Occupational health and safety  Intellectual Property Protection  Social Welfare

Environmental Issues:

- Fight climate change  Environmental Management  Energy-saving technology
- Resource utilization  Emission management  Smarter chemistry

5. Is the information you are concerned about reflected in this year's ESG report?

- Yes  No (What other information would you like to see? \_\_\_\_\_)

6. What other comments or suggestions do you have regarding our ESG reporting or ESG efforts and sustainability management?

\_\_\_\_\_