

ZHENG LI HOLDINGS LIMITED 正力控股有限公司

(incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8283



ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT

2021

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT ZHENG LI HOLDINGS LIMITED

Zheng Li Holdings Limited (the “Company”, “we”) and its subsidiaries (together the “Group”) is a leading automotive service provider in Singapore. Listed on the GEM of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 8 November 2016. With over 18 years of experience in the passenger car service industry, we offer a comprehensive range of passenger car services including (i) maintenance and repair services; (ii) modification, tuning and grooming services and trading of spare parts and accessories; (iii) the provision of motor finance services; (iv) provision of sales integrated service platform; and (v) trading of passenger cars. Those are mainly carried out through our two core businesses – MBM Wheelpower Pte Ltd. (“MBMW”) and KBS Motorsports Pte Ltd. (“KBS”).



MBMW was incorporated in 2002 to provide maintenance and repair services for the luxury and ultra-luxury passenger cars. The company quickly became Singapore’s leading one-stop automotive service provider.



Established in 2005, KBS provides modification, tuning and grooming services for luxury and ultra-luxury passenger cars in Singapore. We are the sole distributor of luxury car tuning parts from high-end producers Novitec, Eisenmann, DMC and RevoZport. We also provide international shipping for our high-end maintenance parts. Ultimately, we are committed to providing the best capabilities enhancement, efficient handling, performance quality and style upgrades for premium and continental cars.

For details of our financial performance in year 2021, please refer to our 2021 Annual Reports.

ABOUT THIS REPORT

This is the Company’s annual Environmental, Social and Governance (the “ESG”) report (“The Report”), documenting our performance relating to the ESG aspects. The Report is in accordance with the ESG reporting guide (the “ESG Reporting Guide”) set out in Appendix 20 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and has complied with the disclosure requirements of the “comply or explain” provisions set out in the ESG Reporting Guide. The reporting scope covers the Company’s two main businesses, MBMW and KBS which operates out of our Sin Ming Autocare and Sin Ming Autocity Service Centre workshops, from 1 January 2021 to the financial year ended on 31 December 2021 (the “Reporting Period”), which including our operations in material geographical segment for over 87% of our total revenue of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the process of preparation of this Report, we summarized the Group's performance in corporate and social responsibilities based on the principles of "Materiality, Quantitative, Balance and Consistency". Please refer to the table below for our understanding and response to such reporting principles.

Reporting Principles	Definitions	Our Response
Materiality	The issues covered in the Report should reflect the significant impacts of the Group on the economy, environment and society, or the scope of assessments and decisions of stakeholders being affected.	Through continuous communication with stakeholders, combined with the Group's strategic development and business operations, we can identify current material sustainable development issues.
Quantitative	The Report should disclose key performance indicators ("KPIs") in a measurable manner.	The Group quantitatively discloses its environmental and social KPIs, and provides textual explanations on quantitative resources.
Balance	The Report should reflect fairly the overall sustainability performance of the Group.	The Group has explained in detail the sustainable development issues that have a significant impact in the business, including the results achieved and the challenges it faces.
Consistency	The Group should use consistent disclosure principles for the preparation of the Report.	The Group will ensure that the disclosure scope and reporting methods of the Report are generally consistent every year.

The Report is prepared and published in both English and Chinese. In the event of contradiction or inconsistency, the English version shall prevail.

STAKEHOLDERS ENGAGEMENT

The Group engages a wide variety of stakeholders including employees, customers, suppliers, the government, and the shareholders on a regular basis. We strive to be cognizant and responsive to our stakeholders' expectations, creating an enduring collaboration that can sustain the business growth.

Stakeholder Group	Method of Engagement	Purpose of Engagement
Employees (from new hires to senior management)	Induction upon joining Frequent on-the-job training Employee engagement activities Ongoing guidance by supervisors and management	Continuous engagement allows us to develop our employees' capabilities and address any potential workplace concerns in a timely manner.
Customers	Customer service feedback records Face to face consultation with service staff	We value our customers' feedback and use it to improve our services and quality of repairs.
Suppliers	Ongoing direct engagements Biannual Supplier Surveys	Trusted relationships with brand name suppliers is vital to the Group' ability to meet its quality commitment.
Government	Discussions and communications with Authorities, as and when necessary	Engagement with the government allows us to keep up with regulatory requirements.
Shareholders	Annual General Meetings Annual and interim reports Company announcements Submissions on Company's website	The engagement allows us to keep up with shareholders' expectations.

MATERIALITY ASSESSMENT PROCESS

During the Reporting Period, we reviewed the material ESG issues identified in 2016. Our materiality definition takes reference from the ESG Reporting Guide, which is defined as the threshold at which ESG issues become sufficiently important to investors and other stakeholders that they should be reported. After careful consideration, the management agreed that the material issues remain relevant to our business in this reporting year which are presented in a materiality matrix in Figure 1.



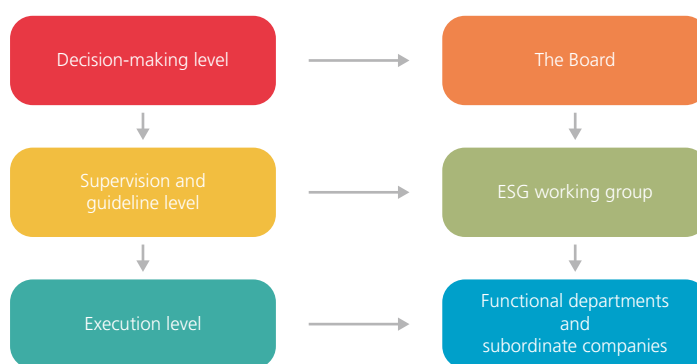
* The above matrix is a highlight of the material ESG issues arising from the materiality assessment exercise.

Figure 1 Materiality Matrix

#	Material Issue	Definition
1	Employment	Provide equal employment opportunities, fair compensation and fair treatment to all employees and contractors regardless of ethnicity, age or gender, provide fair performance appraisal system linked with progression/promotion opportunities, provide benefits and staff welfare to improve quality of life (e.g. healthcare screening programs, labour insurance, and other wellness programs), and provide for lawful dismissal.
2	Occupational Health and Safety	Provide for and promote the health and safety of all workers (including employees and contractors), as measured by recordable incidents/fatalities/lost days/absenteeism/etc.
3	Hazardous and non-hazardous waste	Manage the generation, treatment and disposal of waste such as grease, used lead acid batteries – including its proper transportation.
4	Customer health and safety	Set up a quality management and assurance system for ensuring repaired cars are safe for customers to drive.
5	Discharge into land and water	Manage the impacts of wastewater discharges into land and to sewers and water bodies.
6	Water	Use and management of water.

GOVERNANCE

The Group has established an ESG framework to promote and implement the Group’s sustainability strategy. To ensure effective ESG management, our ESG governance structure, composed of the Board, ESG working group, respective functional departments and subordinate companies, was established to promote ESG management and disclosure. The Board, the ultimate decision-making body of the Group, is responsible for the Group’s ESG governance. The Board steers the Group’s sustainable development forward and bears the overall responsibility of its ESG efforts. In the future, the Board will continue to strengthen ESG risk management and improve ESG working mechanism and regulatory processes to enhance its ESG governance standard. The ESG working group, serving on the supervision and coordination level, is responsible for implementing ESG governance strategy, coordinating ESG matters, compiling ESG reports, and reporting relevant work progress to the Board on a regular basis. Each functional department and subordinate company, serving on the execution level, is responsible for rolling out initiatives set up by the ESG working group and reporting relevant work progress and data.



Integral to the Company’s corporate governance is the Standard Operating Procedure (“SOP”) which provides guidelines for employees to observe in their dealings with customers, suppliers and fellow colleagues, especially when dealing with matters that have ethical implications.

The Company’s SOP provides guidance on issues such as:

- Fraud and sanction risk management procedure for the identification, assessment, management and reporting of risks on a consistent and reliable basis.
- Whistle blowing procedure to enable employees and other persons to raise concerns on possible improprieties relating to fraud, unethical business conducts, violations of law, etc.
- Gift and entertainment control procedure for the receipt and giving of gifts and entertainment to any person, corporation or firm having transaction with the Company, or any prospective customer of the Company.

For more information on corporate governance of the Company, please refer to the “Corporate Governance Report” of our 2021 Annual Reports.

SOCIAL

EMPLOYMENT

Employees are at the heart of the Company's success. We are committed to ensuring that labour and human rights practices are incorporated throughout our business functions. We respect diversity, non-discrimination and freedom of expression within our employees. We adhere to the legal minimum wage, provide a reasonable remuneration package to all employees and prevent all cases of child and forced labour.

The recruitment process of the Company adheres to a fair and impartial human resources policy based on meritocracy. New hires are required to join a mentorship program during which they get accustomed to the Company's policies as well as learn both the technical skills needed for daily operation and the soft skills needed to provide excellent customer services. Subsequent on-the-job trainings would be provided to reiterate these skills and also to keep employees updated with changes in industry quality, safety standards, rules and regulations.

Through our feedback channels (company website portal and Facebook page), we keep track of exemplary performance as well as areas for improvement. This allows the Company to successfully promote the right personnel with excellent performance, while simultaneously identify employees who need additional trainings.

As at 31 December 2021, the Company had a total of 108 full-time employees in Singapore (2020: 114). The remuneration packages of all employees are determined based on their qualifications, work contribution and seniority. In compliance with the Singapore Employment Act, the Company provides all full-time employees with the necessary benefits, including insurance, medical care, maternity and paternity leave. During the Reporting Period, there were no material non-compliance regarding employment brought against the Company or its employees.

OCCUPATIONAL HEALTH AND SAFETY

Automotive mechanics' jobs entail a long list of occupational health and safety hazards including potential musculoskeletal injuries, exposure to chemicals, burns, etc¹. In order to prevent accidents at work, the Group has put in place strict measures to protect the safety of our workers. We mandate safety training for all new joiners, and subsequently provide regular on-the-job trainings to reinforce our safety culture. During the Reporting Period, the Group has complied with local labour laws in relation to workplace safety in all material respects and have not incurred any incidents which have materially and adversely affected our operations.

1 International Labour Organization, International Hazard Datasheet on Occupation (Mechanic, Automobile)

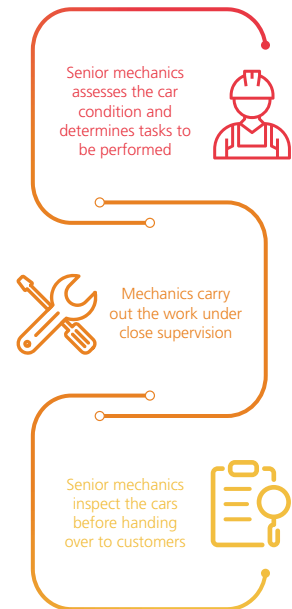
The following measures are integral parts of our health and safety trainings:

Adherence to safety standards	Mechanics to report all hazards, unsafe conditions and work practices to Service Center Managers of Service Advisors Supervisors to enforce relevant safety standards in the workshop
Fostering a safety-first culture	Health and Safety trainings on a regular basis Topics: safe use of facilities and equipment, safe lifting procedures and other safety precaution measures Compulsory for all new hires
Provision of Personal Protective Equipment (PPE) and appropriate tools	PPE are provided to all mechanics Mandatory to wear at all time when in the workshop Regular services and inspection of facilities and equipment
Create a safe working environment	Aisles and exit doors to be kept clear at all times Floor to be kept free of oil, grease or any other type of liquid Workshop to be brightly lit and well ventilated

Figure 2 Occupational Health and Safety Measures

CUSTOMER HEALTH AND SAFETY

Customer safety is important to us and we strive to deliver the highest levels of trust and commitment to all our customers. Every modification has to be thoroughly examined to ensure that it does not compromise daily usage of the vehicle. Clearly defined roles and responsibilities are in place to ensure utmost service quality – car maintenance and repair are mainly carried out by mechanics, while the diagnosis and quality control are completed by senior engineers. In addition, we strive to ensure that our modifications comply with the rules and guidelines set forth by Land Transport Authority (LTA).



ENVIRONMENT

WATER

Water is a precious resource and clean water supply is a top priority in the sustainability agenda of the Singapore government. The Company understand the role we have to play in water conservation and in helping Singapore meet its national targets. The Company did not encounter any problems in sourcing water that is fit for purpose.

Consistent with past years, we replaced all current taps with water saving taps, significantly avoiding unnecessary water wastage. We also replaced our car washing equipment with a new water saving system. Lastly, understanding that the success of our water-saving efforts depends primarily on the attitude of our mechanics, who are responsible for all car washing in the workshop, we constantly engage and communicate with them the importance of water saving. During the Reporting Period, water consumed in our operations and the intensity are 257.7 m³ and 0.01 m³/revenue S\$'000, respectively (2020: 260.1 m³ and 0.01 m³/revenue S\$'000).

WASTE AND EFFLUENTS

Automotive repair facilities generate a huge amount of waste, including hazardous materials such as decreasing solvents, battery electrolytes, and paints and thinners. Other materials that come into contact with these hazardous materials can in turn pose a risk of pollution themselves. Therefore, it is our priority to ensure proper handling of waste so as to prevent accidents brought about by such waste. Our waste collection and disposal is handled by NSL Oil Chem Waste Management ("NSL"), a licensed toxic industrial waste collector. During the Reporting Period, hazardous waste, non-hazardous waste and their intensity (in total) are 68.3 tonnes, 8.7 tonnes and 0.004 tonnes/revenue S\$'000, respectively (2020: 68.9 tonnes, 8.8 tonnes and 0.004 tonnes/revenue S\$'000).

Consistent with past years, the Company put in place several initiatives to reduce our waste, mainly through recycling old materials. For instance, rubber from old tyres were collected and sold to recycling companies to generate additional revenues which were in turn used to handle waste management.



Figure 3 Recycling Initiatives

To avoid accidental discharge of the hazardous substances such as motor oils and diesels to the environment, all of our repair and maintenance activities are carried out in a designated workshop area with proper waste collection and treatment procedures. Any oil leaks are collected in drip pans and waste oil is filtered by the grease trap and separator in our drainage system before the discharge of waste water into public sewage.

Before the collection by NSL, we stored all hazardous waste in containers in a designated area with restricted access. This area is well-equipped with fire-fighting and other equipment to contain fires and spills for precaution.

In view of our continuous effort as mentioned above, we target to maintain zero substantial non-compliance case in relation to the generation of waste and water consumption in coming five years.

CLIMATE CHANGE

The Group is committed to mitigating the climate change and enhancing its resilience to adapt to the increasing threat of climate-related consequences.

The Group had established policies and procedures to identify, assess and manage major risks of the Group. The Board has overall responsibilities for establishing and maintaining an effective risk management and internal control systems of the Group and reviewing their effectiveness.

The management is responsible for implementing that procedures approved by the Board and to monitor compliance with the policies and procedures. The Audit Committee reviews the risk areas and assesses the feasibility and effectiveness of the procedures at least once a year.

As a result of above risk management process, physical risk and transitions risks arising from climate change may not bring significant impacts to the Group's business. As a supporter of the recommendations of the Taskforce on Climate-Related Financial Disclosure (TCFD), the Group has assessed the potential climate related risks and identified the rising mean temperature and increasing severity and likelihood of extreme weather events such as rainstorms, floods, fire and heatwaves as major physical risks impacting our daily operation.

The Group's ESG working group is responsible for identifying and assessing any climate-related risks to which the Group's operations are exposed, and updating the Board with the latest news and developments on climate regulations and industry benchmark. In order to cope with climate-related risk, the Group implemented various emergency response mechanism and purchase adequate insurance against natural disasters so as to cope with extreme weather.

In the future, we will continue to identify potential business activities impacting the environment and develop corresponding improvement measures, so as to further prevent the possible negative impacts of our operation on climate change.

APPENDIX I OVERVIEW OF KEY PERFORMANCE INDICATORS

 SOCIAL ASPECTS¹

No. of KPIs	KPIs	Unit	2021
B1.1 Total number of employees	By gender		
	Male	person	76
	Female	person	32
	By employment type		
	Full-time	person	108
	Part-time	person	Nil
	By age group		
	30 or below	person	16
	31–40	person	36
	41–50	person	25
	51 or above	person	31
	By geographical region		
	Singapore	person	108
B1.2 Employee turnover rate	Turnover rate by gender		
	Male	%	17
	Female	%	13
	Turnover rate by age group		
	30 or below	%	50
	31–40	%	14
	41–50	%	12
	51 or above	%	3
	By geographical region		
Singapore	%	16	
B2.1 Number and rate of work-related fatalities²	Number of work-related fatalities	person	Nil
	Rate of work-related fatalities	%	Nil
B2.2 Number of working days lost due to work injury	Number of working days lost due to work injury	day	Nil
B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons	Percentage of total products sold or shipped subject to recalls for safety and health reasons	%	Nil
B6.2 Number of complaints about products and services	Number of complaints about service received	case	Nil
B7.1 Legal cases in relation to corruption	Number of legal cases in relation to corruption filed and concluded	case	Nil

Notes:

1. In light of the materiality assessment process, KPIs of environmental and social aspects that are not disclosed are considered as not material.
2. The number and rate of work-related fatalities occurred in each of the past three years including the Reporting Period is nil.