

冠 幟 控 股 有 限 公 司
GUAN CHAO HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1872

2019



**ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT**

Environmental, Social and Governance Report

INTRODUCTION AND APPROACH TO ENVIRONMENTAL, SOCIAL AND GOVERNANCE

This Environmental, Social and Governance Report (the “ESG Report”) summarizes the environmental, social and governance (“ESG”) initiatives, plans and performances of Guan Chao Holdings Limited (the “Company”), together with its subsidiaries (the “Group”) and demonstrates its commitment to sustainability development.

The Group adheres to the ESG management principles of the sustainable development philosophy and is committed to effectively and responsibly handling the ESG issues of the Group as a core part of the Group’s business strategy. The Group believes this is the key to its continued success.

The ESG Governance Structure

The Group has established the ESG Taskforce (the “Taskforce”). The Taskforce comprises core members from different departments of the Group, and is responsible for collecting relevant information on the Group’s ESG aspects for preparing the ESG Report. The Taskforce reports to the board of directors (the “Board”), assists in identifying and evaluating the Group’s ESG risks and the effectiveness of the internal control mechanisms. The Taskforce also examines and evaluates the Group’s performances in different ESG aspects such as environment, health and safety, labour standards and product responsibilities. The Board sets up a general direction for the Group’s ESG strategies, ensuring the effectiveness in the control of ESG risks and internal control mechanisms.

REPORTING SCOPE

The ESG Report covers the Group’s ESG performance in importing and selling of new imported and pre-owned cars in Singapore. Unless specified otherwise, the Group’s key performance indicators (“KPIs”) in Environmental and Social areas are collected through the Group’s operation control mechanism. The Group will continue to expand the scope of disclosure in the future after the Group’s data collection system is more matured and the sustainable development work is enhanced.

REPORTING FRAMEWORK

The ESG Report has been prepared in compliance with all applicable provisions set out in the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) as set out in Appendix 27 of the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (“HKEX”). For the Group’s corporate governance practices, please refer to P.17 to P.26 for the section “Corporate Governance Report” contained in the Group’s Annual Report 2019.

REPORTING PERIOD

The ESG Report describes the ESG activities, challenges and measures taken by the Group during the year ended 31 December 2019 (“2019”).

CONFIRMATION AND APPROVAL

This ESG Report was reviewed, confirmed and approved by the Board of the Company.

Environmental, Social and Governance Report

STAKEHOLDER ENGAGEMENT

The Group communicates with and supports stakeholders through a two-way model in order to achieve mutual growth. Therefore, the Group values stakeholders' opinions to its operation business and ESG issues. In order to better understand and address stakeholders' concerns, the Group communicates with its key stakeholders, including but not limited to investors and shareholders, customers, suppliers, employees, government or regulatory bodies, as well as the media, non-governmental organizations ("NGOs") and the public through different channels. With regard to the Group's usual practice, the Group shares the latest information through email, telephone, site visits, meetings and so on.

Through different stakeholder engagements and communication channels, the Group will take into account stakeholders' expectation in formulating operational strategies and ESG measures. The stakeholder engagements and communication channels are as follows:

Major stakeholders	Communication channels	Expectations
Investors and Shareholders	<ul style="list-style-type: none">• Annual general meeting• Financial reports• Announcements and circulars• Website	<ul style="list-style-type: none">• Performance• Development strategy• Operational prospects• Information and activities updates
Customers	<ul style="list-style-type: none">• Customer support hotline and email• Customer satisfaction survey	<ul style="list-style-type: none">• Product quality• Product ethics• Service quality• Personal information protection
Suppliers	<ul style="list-style-type: none">• Regular assessment of suppliers' performance• Supplier management meetings and events	<ul style="list-style-type: none">• Supplier's environmental and social risks• Fair and open procurement

Environmental, Social and Governance Report

Major stakeholders	Communication channels	Expectations
Employees	<ul style="list-style-type: none"> Means for employees to express opinions (e.g. opinion form, suggestion box, etc.) Regular performance reviews Trainings, seminars and briefing sections Intranet 	<ul style="list-style-type: none"> Working environment Employees' benefit Career development Company activities Company's reputation
Government or regulatory bodies	<ul style="list-style-type: none"> Regulatory newsletters Compliance adviser 	<ul style="list-style-type: none"> Compliance with laws and regulations Contribution to society
Media, NGOs and the public	<ul style="list-style-type: none"> Community activities and partner programs ESG reports 	<ul style="list-style-type: none"> Green operation Product ethics Corporate social responsibility Business compliance

The Group is committed to improving its ESG performance through collaboration with its stakeholders, creating greater value for its society and the country continuously.

Environmental, Social and Governance Report

MATERIALITY ASSESSMENT

The management and staff of the Group's respective major operations have participated in the preparation of the ESG Report to assist the Group in reviewing its operations and identifying relevant ESG issues, and assessed the importance of related issues to its businesses and stakeholders. Based on the assessed significant ESG issues, a data collection questionnaire was prepared to collect information from relevant departments and business units of the Group.

The following table is a summary of the Group's material ESG issues included in this ESG Report:

The ESG Reporting Guide	Material ESG aspects of the Group	Importance to the Group		
		Low	Medium	High
A. Environmental	A1. Emissions		√	
	Exhaust Gas Emissions		√	
	Greenhouse Gas ("GHG") Emissions			√
	Sewage Discharge	√		
	Waste Management	√		
	A2. Use of Resources			
	Energy Consumption			√
	Water Management		√	
	Use of Packaging Materials	√		
	A3. The Environment and Natural Resources			
	Indoor Air Quality Management			√
	Environmental Education	√		

Environmental, Social and Governance Report

The ESG Reporting Guide	Material ESG aspects of the Group	Importance to the Group		
		Low	Medium	High
B. Social				
B1. Employment	Recruitment, Promotion and Dismissal			√
	Remuneration		√	
	Equal Opportunities			√
	Communication with Employees		√	
B2. Health and Safety	Safety Measures		√	
	Operational Health and Safety Management		√	
	Fire Safety Management			√
	Occupational Safety and Health Training	√		
B3. Development and Training	Development and Training			√
B4. Labour Standards	Preventive Measures of Child Labour and Forced labour			√
B5. Supply Chain Management	Supply Chain Management			√
	Supply Chain Environmental and Social Risk Management		√	
	Fair and Open Procurement		√	
B6. Product Responsibility	Quality Control			√
	Warehouse Operation Management		√	
	Customer Services and Complaints Handling			√
	Privacy Protection			√
	Protection of Intellectual Property Rights			√
	Service Quality			√
	Advertising and Labelling			√
B7. Anti-corruption	Anti-corruption Policies and Systems			√
	Protection of Whistle-blower		√	
B8. Community Investment	Corporate Social Responsibility			√

Environmental, Social and Governance Report

The Group confirmed that it has established appropriate and effective management policies and internal control systems for ESG issues and confirmed that the disclosed contents are in compliance with the requirements of the ESG Reporting Guide.

CONTACT US

The Group welcomes stakeholders to provide their opinions and suggestions. Stakeholders can provide valuable advice in respect of the ESG Report or the Group's performances in sustainable development by emailing to guanchaoholdings@vincar.com.sg.

A. ENVIRONMENTAL

A1. Emissions

The Group adheres to good environmental management, striving to protect the environment to fulfil the corporate social responsibility. The Group supports the national strategy in environmental protection and selling new parallel-import motor vehicles and pre-owned motor vehicles with compliance to laws and regulations. The Group advocates philosophy of "Energy conservation and Emission reduction", implements a variety of environmental protection policies and measures amongst the Group's operations, and implements ISO14001:2015 Environmental Management System ("EMS").

The Group has established accountability system for environmental protection and actively adopts environmental protection measures to tackle the environmental impacts generated in its operation.

In 2019, the Group was not aware of any material non-compliance with local laws and regulations in relation to exhaust gas and GHG emissions, water and land discharge, and the generation of hazardous and non-hazardous wastes that would have a significant impact on the Group, including but not limited to the "Environmental Protection and Management Act", "Environmental Public Health Act", and "Environmental Public Health (General Waste Collection) Regulations".

Exhaust Gas Emissions

Due to the Group's business nature, it pays attention to the relevant air emissions generated at its operations. The Group strives to mitigate the exhaust gas and GHG generated from its operation process as much as possible. The Group's major sources of exhaust gas emissions are combustion of diesel and petrol from vehicles. In 2019, the amount of sulphur oxides generated from vehicles exhaust was approximately 0.89 kg (2018: 0.87).

Environmental, Social and Governance Report

GHG Emissions

The principal GHG emissions of the Group are generated from the petrol and diesel consumption of vehicles (Scope 1) and purchased electricity (Scope 2). The total GHG emissions have been increased by about 14% from approximately 251.08 tCO₂e in 2018 to approximately 285.81 tCO₂e in 2019. The increase was mainly due to electricity consumption in the new showroom. In 2019, the GHG emissions performance of the Group was as follows:

Indicator ¹	Unit	Total emissions	
		2019	2018
Direct GHG emissions (Scope 1)	tCO ₂ e		
— Petrol and diesel consumption		160.32	157.66
Energy indirect GHG emissions (Scope 2) — Purchased electricity	tCO ₂ e	125.49	93.42
Total GHG emissions	tCO ₂ e	285.81	251.08
Intensity ²	tCO ₂ e/employee	3.76	3.44

Note:

- GHG emission data is presented in terms of carbon dioxide equivalent and are based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "Electricity Grid Emissions Factors and Upstream Fugitive Methane Emission Factor" issued by the Energy Market Authority of Singapore, "How to prepare an ESG Report-Appendix II: Reporting Guidance on Environmental KPIs" issued by the HKEX and the global warming potential in the "Fifth Assessment Report".
- As at 31 December 2019, the total numbers of full-time employees of the Group was 76. The data is also used for calculating other intensity data.

Consumption of petrol and diesel is accounted as the most significant source of direct GHG emissions. The Group has formulated policies and implemented various emission reduction measures to reduce emissions from the source. Specific measures such as:

- Reduce long-distance meetings by advocating telephone or video meetings, reducing exhaust gas and GHG emissions caused by transportation;
- Take public transport during business trips under normal circumstance;
- Encourage employees to choose public transportation for long distance trip in order to reduce exhaust gas and GHG emissions; and
- Generally choose local suppliers to reduce exhaust gas and GHG emissions.

Through the implementation of these measures, the Group has raised its staff's awareness on emission reduction.

To reduce energy indirect GHG emissions, the Group actively adopts electricity conservation and energy saving measures, including strict control of air conditioning usage. The temperature of air conditioning cannot be lower than 24 degree Celsius. Besides, the air conditioning should be turned off when no one is in the office.

Environmental, Social and Governance Report

Sewage Discharge

The Group has developed an environmental operational control system, monitoring sewage produced in office and showrooms to comply with relevant laws and regulations and meet local government sewage discharge standards. Sewage is discharged into the municipal sewage pipe network system of the government and shall not be discharged directly into the streams or farmland. The Group's operations are not subject to substantial water use. The water supply and sewerage of the properties of the principal office of the Group is fully controlled by the building management division of the property. The sewage discharged by the Group is considered as water consumed. The data on water consumption and corresponding water-saving initiatives are described under "Water Management" in aspect A2.

Waste Management

The Group identifies, classifies, stores and disposes waste in a unified manner. In the office and showrooms, the Group has set up a unified recycling box, designated waste management responsible persons to timely dispose waste, and maintained environmental sanitation around the collection box. The Group has taken specific measures for handling the following categories of solid waste:

Non-hazardous Waste

The paper disposal has increased by about 28% from approximately 1.72 tonnes in 2018 to approximately 2.21 tonnes in 2019. The increase in paper consumption was resulted from the increase in administrative work from carrying out the Company's initial public offering and additional listing requirements. In 2019, the non-hazardous waste disposal (i.e. paper) performance of the Group was as follows:

Type of non-hazardous waste	Unit	Total weight	
		2019	2018
Paper ³	tonnes	2.21	1.72
Intensity	tonnes/employee	0.03	0.02

Note:

3. In 2019, paper consumption was approximately 441,000 sheets (2018: 325,000).

The non-hazardous waste produced by the Group is mainly consist of paper. The specific waste reduction measures are as follows:

- Classify recyclable and non-recyclable waste and set up collection bins to recycle the waste;
- Increase the recycling rate of recyclable cartons to achieve reutilization;
- Control the consumption of aluminium cans, plastics and glass products, and increase the rate of recycling and reuse of the products;
- Replace plastic products with biodegradable ones;

Environmental, Social and Governance Report

- Classify and store solid waste, and reuse the waste based on the characteristics of various solid wastes. If it cannot be reused, it will be recycled by special agencies; and
- Implement a waste paper recycling and reuse programme and use double-sided printing to reduce the amount of paper consumed.

Through the implementation of these measures, the Group has raised its staff's awareness on waste reduction.

Hazardous Waste

Due to the Group's business nature, it did not generate hazardous waste in 2019 (2018: nil). The Group has established guidelines of governing the management and disposal of hazardous waste. In case there are any hazardous waste produced, the Group must engage a qualified chemical waste collector to handle such waste, which is complied with the relevant environmental regulations and rules.

A2. Use of Resources

The Group upholds and promotes the principle of effective use of resources, evaluating the potential environmental impacts by real-time monitoring its business operations. Through the 4Rs principles, namely, "Reduce", "Reuse", "Recycle" and "Replace", the Group promotes green office and operation environment to minimize its environmental impacts. The employees of the Group follow these principles, consciously reduce the consumption of electricity, paper and water resources. For example, the Group's employees work together to implement a paperless office by sending documents in electronic form whenever possible, in order to reduce the amount of paper consumption.

In the sales of new parallel-import motor vehicles and pre-owned motor vehicles, the Group promotes green marketing which complies with the national requirements to gradually achieve non-toxicity, non-hazardous substances, no wastewater and no exhaust gas emissions. The Group manages the use of water, electricity and fuel resources by collecting monthly usage statistics and standardizing the operation processes for major energy-consuming equipment for effective utilization of energy.

In addition, in order to achieve environmentally sustainable development, the Group conducts environmental education and training for its employees and promotes practical advice on environmentally friendly lifestyles to enhance employees' awareness of environmental protection. The Group also promotes green travel and raises employees' awareness of emission reduction and carbon reduction.

Environmental, Social and Governance Report

Energy Consumption

The total energy consumption has increased by about 14% from approximately 776,929.34 kWh in 2018 to approximately 884,644.46 kWh in 2019. The increase was mainly due to electricity consumption in the new showroom. In 2019, the energy consumption performance of the Group was as follows:

Type of energy	Unit	Energy consumption	
		2019	2018
Petrol ⁴	kWh	574,309.88	539,664.21
Diesel ⁵	kWh	10,681.83	14,404.30
Electricity	kWh	299,652.75	222,860.83
Total energy consumption	kWh	884,644.46	776,929.34
Intensity	kWh/employee	11,640.06	10,642.87

Note:

4. The actual petrol consumption was approximately 59,260.00 litres (2018: 57,924.78)
5. The actual diesel consumption was approximately 998.00 litres (2018: 1,354.23).

The Group proactively implements the mission of energy conservation and emission reduction by establishing rules and regulations to achieve the goal of saving electricity and using electricity efficiently. The specific measures are as follows:

- Use energy-saving light bulbs and all departments implement the principle of “Management by the on-duty staff” in order to foster good habits in terms of turning lights off after use;
- Unplug electrical appliances which are not in use for a long time to save standby power;
- Strictly control temperature of air conditioning to prevent excessive energy consumption, extend the life of air conditioning units and reduce the amount of the waste of electronic equipment; and
- Maintain the temperature in showrooms at reasonable level to avoid the malfunction of electrical appliances and tripping because of high temperature in the showrooms.

Through the above measures, the Group’s has raised its employees’ awareness on energy conservation.

Environmental, Social and Governance Report

Water Management

The total water consumption has decreased by about 2% from approximately 180.70 m³ in 2018 to approximately 176.40 m³ in 2019. In 2019, the water consumption performance of the Group was as follows:

Water consumption	Unit	Water consumption	
		2019	2018
Water consumption	m ³	176.40	180.70
Intensity	m ³ /employee	2.32	2.48

The Group encourages all employees and customers to develop the habit of conscious water use to reduce water consumption in the office. The Group continued to increase water conservation propaganda and posted water-saving slogans in the washrooms and staff lounges to encourage employees to save water.

Through the above measures, the Group's has raised its employees' awareness on water saving. Due to the Group's business nature, it does not have issue in sourcing water that is fit for purpose.

Use of Packaging Materials

Due to the Group's business nature, the Group does not generate packaging materials in the selling process except minimal usage of the packaging materials for car parts, so its daily operation does not produce significant amount of packaging materials.

A3. The Environment and Natural Resources

The Group pursues the best practices for environment protection and focuses on the Group's business impacts on the environment and natural resources. In addition to complying with relevant environmental laws and international standards for protecting the natural environment, the Group has also implemented a number of measures to reduce its environmental impact. The Group also provides environmental education to all employees to enhance their environmental awareness.

Promotion and Education Activities

The Group conducts environmental education and training for its employees annually, and regularly provides environmentally friendly and energy-saving tips and educational materials to its employees to enhance their environmental awareness.

Indoor Air Quality Management

Apart from education and training, the Group also puts emphasis on indoor air quality. The Group has strict control over air quality management, especially smoking. The Group prohibits anyone from smoking in the office and showrooms, and sets the entire operation areas as smoke-free areas to maintain good air ventilation. The Group also designs special smoking areas for employees and prohibits smoking in public areas. The Group has also installed air purifiers or other devices for removing odour to maintain good air ventilation and indoor air environment.

Environmental, Social and Governance Report

B. SOCIAL

B1. Employment

Employees are the core of the Group's greatest and most valuable assets and competitive advantages, providing the Group with the driving force for continuous innovation. The Group respects the principle of "Everyone is equal" and adheres to the people-oriented approach, standardizing employment management to respect and protect the legitimate interests of every employee. At the same time, the Group strives to ensure its employees' occupational health and safety, monitor working hours, strengthen democratic management, and protect employee's interests to show its respect to employees and unleash their enthusiasm, initiative and creativity for building a harmonious employment relationship.

In 2019, the Group was not aware of any material non-compliance with employment-related laws and regulations that would have a significant impact on the Group, including but not limited to the "Employment Act" in Singapore.

Recruitment, Promotion and Dismissal

Based on merit selection against the job criteria, the Group applies robust and transparent recruitment processes, and recruits individuals based on their suitability for the position and potential to fulfil the Group's current and future labour demand.

The Group believes that by promoting its internal staff will strengthen the working morale within the Group. The Human Resources Department will circulate the internal job posting through emails or notice so that all staff will be notified the new vacancies. If the staff is eligible for the new opening, he or she will be internally transferred or being promoted. A fair and equal opportunity will be given to both internal staff and other candidates.

A satisfactory and rewarding remuneration package could reduce employee turnover rate for the Group, and lessen the pressure on recruiting and training new staff. It is also a commitment of the Group to reward its existing staff member who contribute towards the Group's growth and success. The Group's competitive remuneration packages include holidays, annual leave, medical scheme, dental scheme, group insurance, mandatory provident fund, year-end double pay, discretionary bonus, etc.

Any appointment, promotion or termination of recruitment contract should be based on reasonable, lawful grounds and internal policies, such as "Sales Staff Handbook". The Group strictly prohibits any kind of unfair or illegitimate dismissals. For those who have poor working performance or constantly make mistakes, the Group would warn verbally before issuing a warning letter. For those who remain untamed despite making the same mistakes repeatedly, the Group would dismiss the person according to relevant laws in Singapore.

Environmental, Social and Governance Report

Equal Opportunities

The Group strictly complies with national and local standards by adopting a fair, impartial and open recruitment process and develops relevant system files to eliminate discrimination in the recruitment processes. Employees face no discrimination regardless of race, religion, colour, gender, physical or mental disability, age, place of origin, marital status, and sexual orientation and thus allowing them to enjoy fair treatment in every aspect including recruitment, salary, training and promotion. Both male and female employees receive the same remuneration with the same job duties. The Group also endeavours to attract professionals with diverse background to join the Group.

B2. Health and Safety

The Group highly recognizes the importance of health and safety of its employees. The Group commits to providing employees with a healthy, safe and comfortable working environment and strives to eliminate potential health and safety hazards at the workplace.

The Group has always focused on standardizing the management system to regulate its occupational health and safety management. The Group acquires risk management capability in managing terror incidents with implementing risk management plan to tackle against terror incidents. All workplaces covered under the “Workplace Safety and Health Act” (“WSHA”) are required to conduct risk management for every work activity and process carried out at their workplaces. The Group’s professional safety supervisors also regularly monitor and evaluate safety measures, and will carry out corrective measures immediately to prevent accidents.

In 2019, the Group was not aware of any material non-compliance with health and safety-related laws and regulations that would have a significant impact on the Group, including but not limited to the WSHA and “Work Injury Compensation Act” of Singapore. The Group did not have any records on any accidents that resulted in death or serious physical injury and no claims or compensation was paid to its employees due to such events.

Safety Training and Programme

The Group creates a good working environment for employees, strengthens safety in workplace, and guarantees the operational safety of motor vehicles. The Group provides employees with safety education and trainings, allowing them to have the knowledge of workplace safety, familiar with relevant workplace safety regulations and operating procedures.

In order to prevent occupational diseases and injuries, the Group allows employees to have full awareness on the factors causing occupational diseases, potential consequence of occupational hazards and protective measures. The Group conducts internal reviews on an annual basis to keep employees informed of the important content according to WSHA. In addition, the Group also provides occupational health and safety trainings and evaluates the effectiveness of trainings through drills annually. To improve the training programmes, the Group consults employees’ opinion by survey and collects their suggestions through email. The Group also arranges occupational body check for employees and establishes occupational health records.

Environmental, Social and Governance Report

Fire Safety Management

The Group attaches great importance to fire safety in the office and showrooms, designs and constructs office and showrooms in accordance with national engineering building fire control standards, and has formulated fire safety work measures and established fire control systems. Fire-fighting facilities, including fire sprinkler systems, fire extinguishers, fire hoses, etc., are installed in office and showrooms, and are regularly maintained by external professional companies. “No smoke and fire” signs are posted on prominent positions in the gates and showrooms. Motor vehicles are required to park at designated locations. In addition, the Group strengthens the monitoring of key locations (such as transformers and power distribution rooms) to reduce fire hazards. The Group also regularly organizes fire safety training and emergency drills for employees to raise their awareness of fire protection.

B3. Development and Training

The Group has established long-term employee development mechanism, continuously providing job skills courses that satisfy the needs of employees. The purpose is to enhance their work performance and to have a smoother promotion path. Through a diversified training model, the Group meets the diverse needs of employees at all levels, enhancing staff's skills, helping the Group to achieve sustainable development, and promoting individual employee growth and development.

Training Management and Courses

The Group actively supports the mentoring of junior and new employees by experienced staff to help new employees adapt to the Group. During the guidance process, experienced employees can also inspire new ideas and enhance their abilities and knowledge. The Group also encourages employees to participate in external training on their own, and will also subsidize employees to obtain professional qualifications related to the business of the Group.

All the sales-personnel of the Group will hold product training meetings regularly to inform employees about the product knowledge and selling process to facilitate the smooth operation of the Group's selling of motor vehicles business. The Group entrusts instructors of professional organizations or arranges business leaders at all levels within the Group to conduct training for employees. The training content may include presentation of a brand new parallel-imported motor vehicles, declaration of national catalogue processes and details, diagnosis of new financial regulations, team building brainstorming method, etc.

New recruits will receive on-the-job training to help them adapt to the work environment and perform their duties as quickly as possible. The Group also trains key personnel such as front line sales persons, environmental, safety management personnel and quality inspectors.

The Group also attaches great importance to safety workplace training to protect the personal safety of employees. The relevant policies have been described in detail in aspect B2 “Safety Training and Programme”.

Environmental, Social and Governance Report

B4. Labour Standards

The Group complies with the International Labour Organization's ("ILO") Convention and Ministry of Manpower ("MOM") in Singapore. No employee will be compelled to work against his or her will through force or intimidation of any form or subjected to corporal punishment or coercion of any type related to work.

In 2019, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations that would have a significant impact in the Group, including but not limited to the "Employment Act" of Singapore.

Preventive Measures of Child Labour and Forced Labour

The Group strictly prohibits the use of any child and forced labour by its operations in Singapore. The Group has a well-established recruitment process includes examines the candidate's background and a formal reporting process to address any exceptions. The Group's recruitment post stipulates that only employees over the age of 18 will be recruited and all new employees are required to provide true and accurate personal information. The recruiters will stringently verify their information, including body check results, academic certificates, identity card and account information. The Human Resources Department will also eliminate job applicants under the age of 18.

The Group respects human rights and promises that all employees should be protected by the Group and should not be forced to work by employees of any class. In addition, employees work overtime on a voluntary basis, and the Group promises not to force employees to work overtime to avoid violating labour standards and effectively safeguarding employee rights. The Group will not collect deposits from new recruits or seize their identity documents. The Human Resources Department also regularly checks the working hour record and will investigate immediately if overworking is discovered. The Group also prohibits punitive measures, management methods and behaviours such as abusive, corporal punishment, violence, mental stress, sexual harassment (including inappropriate language, posture and physical contact), sexual abuse, etc. for any reason.

B5. Supply Chain Management

Apart from sourcing motor vehicles manufactured from suppliers, price trends of imported motor vehicles and its requirements, the Group also attaches great importance to the management of potential environmental and social risks in the supply chain. The Group has established a rigorous and standardized procurement system and supplier selection process, and has imposed environmental and social risk control requirements on suppliers.

Environmental, Social and Governance Report

The Group mainly procures motor vehicles from local and overseas suppliers who are mainly wholesalers generally sourcing directly from the motor vehicle manufacturers in Japan and Europe. The Group's suppliers also include individual or corporate customers who trade-in their used cars with the Group at the same time as they purchase new motor vehicles from the Group.

Supply Chain Management

The Group has implemented a well-managed procurement system and a rigorous supplier selection process to ensure the quality its products. In addition, all suppliers are monitored and assessed by the Group regularly. In order to deliver the best service for its customers, the Group takes into account the followings:

- (i) the reliability of such suppliers and its working relationship with them;
- (ii) the price of the motor vehicles offered by its suppliers; and
- (iii) the assessment on whether such suppliers are well-established.

The Group engages new suppliers for small orders in order to pre-assess whether their supply of motor vehicles conforms to the Group's standards and requirements.

In addition, the Group takes measures to assess whether suppliers act in compliance with relevant laws and regulations and other required standards for health, safety, forced labour and child labour, and to examine suppliers' awareness of these aspects in order to reduce the social risk of the Group's supply chain.

Fair and Open Procurement

The Group's procurement procedures strictly abide by the established principles of fairness, transparency and value-for-money ("VFM") and related regulations, making procurement on an open, fair and impartial basis without any discrimination against any particular supplier. Employees and other individuals who share common interest with the relevant supplier will not be allowed to participate in the relevant procurement activities.

Business Ethics

The Group also concerns about the integrity of suppliers, and will only select suppliers who have a good track record in the past and do not have any serious violations or ethical violations. The Group has zero tolerance for bribery and corruption, and it is strictly forbidden for suppliers and partners to obtain procurement contracts or partnerships through any form of transfer of benefits.

B6. Product Responsibility

The Group attaches great importance to product quality and corporate reputation, and actively monitors the quality of products and services through internal controls and strictly monitors the compliance of products sold. The Group also maintains communication with its customers and provides after-sales service to ensure understanding and meeting customer needs and expectations, and continuously improves its products and services by understanding customer satisfaction level.

Environmental, Social and Governance Report

In 2019, the Group was not aware of any material non-compliance with laws and regulations concerning health and safety, advertising, labelling and privacy matters relating to products and services that would have a significant impact on the Group, including but not limited to the “Sale of Goods Act”, “Supply of Goods and Consumer Protection (Fair Trading) Act” (“CPFTA”) and “Personal Data Protection Act” of Singapore.

Quality Control

The Group implements strict quality control. Its quality standards are formulated with reference to applicable Singapore standards, a comprehensive quality control system is established, and the Certificate of Conformity (“COC”) for the exported motor vehicles or Completion Inspection Certificate (“CIC”) for the new motor vehicles are obtained. The Group also has to undergo an emission and fuel economy test at the Vicom Emissions Test Laboratory (“VETL”) to ascertain their fuel economy and carbon dioxide figures at the point of importation.

The registration process of imported motor vehicles into Singapore is rigorous, and they must pass the registration and technical requirements of the Land Transport Authority. After the registration is completed, the quality manager of the Group reviews the registration document. Only products that meet the requirements can be sold, and motor vehicles that fail to register will be prohibited importing into Singapore according to the relevant procedures.

Customer Services and Complaints Handling

The Group provides quality service experience to consumers through standardized service quality, humanized service process and standardized service management. Prior to the delivery of motor vehicles to customers, the Group’s staff will generally carry out a pre-delivery inspection exercise by conducting a thorough check on each motor vehicle. After determining that the condition of the motor vehicle is satisfactory, the Group will then deliver the motor vehicles to its customers. Pursuant to the terms of the Group’s sales agreement for new parallel-import motor vehicles, the Group provides its customers with warranties which are set out in a service booklet provided to them. After-sales services will be provided to customers to address their enquiries. If there is a problem with the product, the Group will actively approach the customer for possible product recycling.

Any customer complaints will first be handled by the Group’s trained sales staff. If the complaint cannot be resolved at the first instance, the matter will be escalated to the Group’s senior management. The Sales Department continuously tracks the feedback from customers in order to increase customer satisfaction.

To implement excellent customer service, the Group has set up a telephone complaint handling mechanism, and all issues are followed-up and dealt with by the sales team to allow customers to have channels to submit complaints and successfully resolve any issues. The Group also conducts customer satisfaction surveys to allow it to analyze the level of customer satisfaction and make improvements.

Environmental, Social and Governance Report

Privacy Protection

The Group cautiously manages customer files to avoid leakage of customer privacy, and requires relevant business personnel to sign the “Confidentiality Agreement” when they join the Group to strengthen the protection of the Group’s business secrets.

Protection of Intellectual Property Rights

The Group is committed to maintaining and safeguarding intellectual property rights, and has different practices to ensure that intellectual property rights are respected. Conventions include not buying pirated products, conducting monthly internal audits, checking whether employees have downloaded pirated software privately, not using photos that are not authorized by the third-party manufacturers, and verifying whether the photos used by the Group are copyrighted once a month. In addition, the Group will not adopt designs that are not authorized by the third-party manufacturers, and will check whether the designs belong to the Group every six months. The Group promises that all propaganda or product designs of the Group do not involve plagiarism, and requires all employees to have a sense of intellectual property rights and keep their designs confidential.

Service Quality

The Group has established relevant procedures to ensure that the products and services it provides comply with relevant regulations and laws. The Group is committed to provide clear and balanced information to its clients. Product features, use terms and conditions, and any associated risks are clearly communicated by the Group’s licensed employees through emails and telephones (with recording function) to its clients, so clients can make an informed decision. Clients that are interested in the Group’s services are required to sign a client agreement, acknowledging the related terms and conditions along with the associated risks.

Advertising and Labelling

Based on the business nature of the Group, the Group only conducts limited publicity activities. Therefore, the business operations of the Group do not involve material advertising and labelling related risks.

B7. Anti-corruption

Anti-corruption Policies and Systems

The Group believes that a corporate culture with integrity is the key to its continued success. The Group has zero tolerance against any form of bribery, extortion, fraud or money laundering. In all circumstances, the Group requires employees to adhere to the highest level of business ethics and professional conduct while carrying out business. This drives the Group to work with its employees to build a prudent and transparent business. Internally, the Group’s staff are required to comply with the “Code of Conduct and Ethical Guidelines”, and relevant policies of conflict of interests, anti-competition and anti-corruption.

In 2019, the Group was not aware of any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud and money laundering that would have a significant impact on the Group, including but not limited to the “Prevention of Corruption Act”, “Penal Code” and “Official Secrets Act” of Singapore.

Environmental, Social and Governance Report

Conflict of Interest

As part of the Group, employees have the responsibility to protect the Group's interest and avoid situations that may present a potential or actual conflict between their own interests and the Group's interests. They should not take any advantage of their position in gaining personal benefits. The Group encourages its employees to raise complaints about misconduct and malpractice directly to the directors of the Group.

B8. Community Investment

Corporate Social Responsibility

The Group believes in shouldering the responsibility of contributing society while having economic development. As a responsible corporation, the Group has fulfilled its social responsibilities by actively cooperating with charitable organizations, organizing social activities for the purpose of public welfare and charity, and establishing a good public image.

Community Participation

The Group is committed to serving the community through community participation and contribution. The Group incorporates environmental, manpower needs, education and culture into community-based discussions to support relevant activities.

Corporate Social Responsibility Education

The Group strives to foster employees' sense of social responsibility and encourages employees to participate in social welfare activities during their work and leisure time to make greater contributions to the community. The Group also arranges activities like environmental protection, donation and social services for employees. The Group believes that by participating in the community activities, the civic awareness of its employees can be enhanced, and positive values can be established.

Environmental, Social and Governance Report

Index Table of ESG Reporting Guide of the HKEX

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1 ("Comply or explain")	The types of emissions and respective emissions data.	Emissions — Exhaust Gas Emissions, GHG Emissions, Waste Management
KPI A1.2 ("Comply or explain")	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity.	Emissions — GHG Emissions
KPI A1.3 ("Comply or explain")	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	Emissions — Hazardous Waste (not applicable — explained)
KPI A1.4 ("Comply or explain")	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Emissions — Non-hazardous Waste
KPI A1.5 ("Comply or explain")	Description of measures to mitigate emissions and results achieved.	Emissions — Exhaust Gas Emissions, GHG Emissions, Waste Management
KPI A1.6 ("Comply or explain")	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions — Waste Management

Environmental, Social and Governance Report

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1 ("Comply or explain")	Direct and/or indirect consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity.	Use of Resources — Energy Consumption
KPI A2.2 ("Comply or explain")	Water consumption in total and intensity.	Use of Resources — Water Management
KPI A2.3 ("Comply or explain")	Description of energy use efficiency initiatives and results achieved.	Use of Resources — Energy Consumption
KPI A2.4 ("Comply or explain")	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources — Water Management
KPI A2.5 ("Comply or explain")	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources — Use of Packaging Materials (not applicable — explained)
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1 ("Comply or explain")	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources — Promotion and Education Activities, Indoor Air Quality Management

Environmental, Social and Governance Report

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
Aspect B1: Employment		
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. 	Employment
Aspect B2: Health and Safety		
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. 	Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training

Environmental, Social and Governance Report

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
Aspect B4: Labour Standards		
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour. 	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. 	Product Responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product Responsibility

Environmental, Social and Governance Report

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
Aspect B7: Anti-corruption		
General Disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.</p>	Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment